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FINANCIAL TIMES

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English football team signs striker for record \$23m

English team Newcastle United smashed the world football transfer record of £18m (\$20.2m) - paid by Italy's AC Milan for Gianluigi Lentini in 1992 and AC Milan's Barcelona for Brazilian Ronaldo in 1995 - by acquiring England striker Alan Shearer from Blackburn Rovers for £18m (\$23.4m).
Page 6; Editorial Comment, Page 11; Lex, Page 12

Clinton calls emergency terrorism summit

Investigators close to concluding bomb caused TWA crash

President Bill Clinton yesterday summoned political and law enforcement officials to the White House for an emergency summit on fighting terrorism.
The move came as Federal Bureau of Investigation officials were understood to be close to a conclusion that the explosion which killed all 290 people aboard TWA 800 was caused by a bomb possibly in a forward cargo hold of the aircraft.
"This has got to be a long, disciplined, concerted effort from the US. This is not going to be easy," Mr Clinton said as he welcomed the Senate and House leadership, pins the head of the FBI and the US attorney-general, Mr Janet Reno, to the White House for yesterday's anti-terrorism summit.

The Congressional leaders yesterday promised new legislation on combating terrorism following the TWA case and the bomb at the Atlanta Olympics last weekend.
President Clinton is seeking new powers to wiretap telephone suspected of being used by terrorists, as well as measures to "tag" explosives to make it easier to identify bomb-makers.
The administration was believed to be drawing up contingency plans for a US response to the TWA bombing, if it can be proved that the crash resulted from an act of state-sponsored terrorism.
But counter-terrorism experts

cautioned that it is extremely difficult to verify state sponsorship of terrorist acts with the certainty necessary to justify retaliation by force.
They noted that the US had sought redress for the 1986 Pan Am 103 bombing through the courts, rather than resorting to military action.
But a White House official made clear yesterday that force would be an option in the TWA case, depending on whether it can be proved that a foreign state was involved, and which state that might be.
"We reserve the right to respond to any US interests are threatened," the official said.

Officials are understood to be operating on the theory that an explosive device blew off part of the forward portion of the aeroplane, causing the Boeing 747 aircraft to break apart in mid-air.
The location of wreckage in two areas of ocean, more than a mile apart, has led officials to believe that the aeroplane's front end plunged into the ocean, while the rest of the aircraft continued to hurtle through the air.
The US Navy reinforced its operations in the area yesterday, sending another salvage ship to help lift wreckage from the sea. Investigators are eager to examine a large piece of fuselage discovered at the weekend, which

might hold clues to the crash.
They are also looking for a key piece of metal which could help prove the theory that a bomb was involved. They believe a piece of the aircraft's aluminium coating close to the explosion might reveal whether the metal was pierced from the inside (perhaps by a bomb), or the outside (possibly by a missile).
Mr Clinton said he was sending Ms Reno to Paris immediately after the summit for a meeting of ministers of the Group of Seven industrial countries and Russia, called to discuss terrorism.
Atlanta goes for gold, Page 5
Editorial Comment, Page 11

German state defies Brussels with grant aid to VW

The German state of Saxony has defied the European Commission by granting Volkswagen DM241m (\$158m) in unauthorised state aid after the carmaker threatened to halt the development of two plants.
The challenge to the authority of the European Commission was described by Bonn as an "illegal act" and was expected to prompt a court challenge by Brussels. Yesterday, the Commission made no comment.
Mr Günter Rexrodt, the German economics minister, said Saxony's action was a clear breach of EU regulations. "It would have been more useful to continue the dialogue with the Commission instead of unilaterally and officially announcing the approval of the subsidies," Mr Rexrodt said.
The challenge arises from plans by Volkswagen to invest DM3.5bn in two car plants in Saxony in eastern Germany. The European Commission last month allowed DM530m of a proposed DM780m in aid, but Saxony officials confirmed yesterday that they would provide the entire amount.
The state government has already given DM162m of the difference and plans to pay the remainder next year. Saxony officials feared that Volkswagen withdrew from the projects, the eastern region's economic ambitions would be set back seriously.
Mr Karel Van Miert, competition commissioner, had blocked the DM241m in assistance, in spite of opposition from the German government and the two German European commissioners, on the grounds that it could not all be justified to compensate for the problems of investing in eastern Germany.
Mr Van Miert added that part of the investment was not a greenfield project, and therefore did not qualify for the higher rates of aid permitted for such projects.
Saxony declared that it would challenge the Commission's ruling in the European Court, but Brussels also has the power to

Violence hits Indonesian stocks: The Jakarta stock exchange index closed at its lowest level for the year, and the rupiah dipped to a record low against the dollar, after a weekend of political violence in Indonesia that left two dead and resulted in millions of dollars of damage in the capital. Page 12; Intimations of mortality, Page 10

Manufacturers warn of Dornier losses: German engineering and telecoms group, Dornier, said its biggest subsidiary, Dornier Flugzeugwerke, report unspecified losses because of difficulties with a contract to build a steel plant in the US. Page 15

US insurer to sell hurricane bonds: The US's biggest direct marketer of home and auto insurance is attempting to sell about \$500m in bonds on the US capital markets that would be tied to the company's losses from hurricanes. Page 12

Missak, the 84-year-old company which bills itself as the leading purveyor of "business music" in the US, hopes to raise about \$70m when it goes public on the Nasdaq Stock Exchange this week. Page 13

Strikes mark start of German sales: German retail sector employees striking over a pay claim attempted to disrupt yesterday's start of summer sales, the time of the year when department stores hope to boost turnover. Page 2

Lukashenko bans Belarus protests: Belarus President Alexander Lukashenko banned public demonstrations during the harvest season following increasingly united and vocal opposition to his authoritarian rule. Page 2

Turkey to rule on Kurd protection: Turkey is set to decide today whether to renew permission for a US-led air umbrella over the Kurdish areas of northern Iraq, set up after the Gulf war. Page 4

ICN ordered to cut drug prices: Canadian regulators have ordered California-based ICN Pharmaceuticals to cut the price of an anti-infection drug by almost 90 per cent. Page 8

Fears over semiconductor talks: Japanese prime minister Ryutaro Hashimoto sought to calm fears that last-minute efforts to settle a dispute with the US over trade in semiconductors might collapse, saying that failure to reach agreement would not jeopardise relations. Page 4

ASX calls for restructuring vote: The Australian Stock Exchange is to ask its stockbroker members to vote in October on a proposal to dramatically restructure the organisation of share trading in the country. Page 14; Lex, Page 12

Seoul reports record deficit: South Korea reported a record current account deficit of \$9.25bn for the first half of 1996, an indication that it will exceed the government's recent estimate of a record \$11bn-\$12bn for the year. Page 5

Thai currency under pressure: Thailand denied that it planned to devalue the baht as it moved to hold the currency near the official mid-rate of 25.29 to the dollar after it came under heavy selling pressure. Page 5

Volcker may lead war money probes: Former US federal reserve chairman, Paul Volcker (left), is expected to chair the international committee to investigate how much money due to Jewish holocaust victims is hidden in Swiss banks. The move follows growing concern that there is much more money in accounts opened between 1983 and 1946 than banks admit. Page 2; Questions from history, Page 10

Venezuelan officials in drugs raids: Venezuelan police said they had seized 1,100lb (500kg) of cocaine and arrested four former or serving Venezuelan government officials.

Crickets: England lost the first Test against Pakistan at Lord's in London by 164 runs, after their last nine wickets fell for just 75 runs. Pakistan scored 340 and 282, England 265 and 243.

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STOCK MARKET INDICES			
New York: DOW	5,487.14	(-5.92)	
NASDAQ Composite	1,080.37	(+0.93)	
Europe and Far East		(-1.78)	
CAC40	1,661.10	(-7.47)	
DAX	2,477.81	(-6.5)	
FTSE 100	2,678.8	(-17.36)	
Nikkei	20,967.54		
US LIB LIBRARY RATES			
Federal Funds	5.75%		
3-mth T-bill	5.51%		
Long Bond	7.05%		
OTHER RATES			
UK 3-mth interbank	6.4%	(6.4%)	
US 10 yr	6.87%	(6.87%)	
France 10 yr	10.16%	(10.23%)	
Germany 10 yr	5.87%	(6.05%)	
Japan 10 yr	5.057%	(5.287%)	
NORTH SEA OIL (August)			
Brent Dated	\$19.02	(18.93)	

Diplomats welcome China's decision as talks on voluntary ban resume



Chinese envoy Sha Zukang told the UN conference for disarmament in Geneva of Beijing's plans to suspend nuclear tests

Beijing to suspend nuclear tests after latest explosion

China yesterday announced a moratorium on further nuclear testing after conducting a final test explosion just hours before the resumption of talks in Geneva on a comprehensive test ban treaty.
Beijing's decision to join the voluntary testing moratorium already being observed by the other nuclear powers - the US, Russia, Britain and France - muted criticism of its latest test and was welcomed by diplomats in Geneva, where the test ban talks are at a delicate stage.
However, Chinese officials indicated yesterday that they may try to renegotiate some parts of the draft treaty. This has heightened fears that the text compiled by Mr Jaap Ramaker, chairman of the talks, last month could start to unravel.
Objections by China and India are seen as the most serious obstacles to concluding a treaty in time for its planned signature at the next United Nations general assembly in September. Mr Ramaker said yesterday that the "very little time" left, no more than a week or two, if that deadline was to be met.
Beijing is unhappy about aspects of the verification regime to check suspected treaty violations, in particular the provisions

for authorising on-site inspections, which it wants to make more difficult.
Meanwhile, India yesterday repeated its threat to veto adoption of the pact by the 61-member United Nations disarmament conference. This is because it objects to the proposed requirement that India's ratification be a precondition for the treaty to enter into force. New Delhi has already demanded that the nuclear powers make a commitment to scrap their nuclear warheads within a fixed period.
Russia, China and Britain are adamant that India, Pakistan and Israel, the so-called threshold states which have or could quickly acquire nuclear weapons, must be members for the treaty to have value. This view is reflected in the current draft pact, which requires ratification by all eight nuclear and threshold states.
Mr Ramaker said yesterday that he was "generally encouraged" by the support expressed for his text. Most countries,

including five of the eight - the US, Russia, France, Britain and Israel - have urged speedy acceptance of the draft text without further negotiation, despite their own reservations.
Western diplomats said China's position was crucial because, if it insisted on changes, other countries could do the same and the treaty might be lost. Four other non-aligned nations yesterday voiced dissatisfaction with the draft, mostly over its references to nuclear disarmament, but their concerns are seen as more easily met.
China's moratorium announcement appeared aimed at securing the diplomatic high ground for the Geneva talks.
China, like France, which ended testing earlier this year, had defied the US-sponsored moratorium, arguing that further tests were necessary to consolidate its nuclear capability. Regional states criticised the test, the 45th since China began testing in 1964, but also expressed satisfaction at the moratorium.

Allianz chief forecasts big changes in German banking

The chairman of Allianz, Europe's largest insurance group, has predicted far-reaching structural changes in Germany's banking industry.
Allianz, which is a major shareholder in many of the country's leading banks, was "watching very closely what happens in this sector", Mr Henning Schulte-Noelle said at the group's annual press conference yesterday. Mr Schulte-Noelle also said that Allianz would split its shares 10 for one and aim for a 15 per cent return on equity to meet the increased expectations of its own shareholders.
Speculation about the future shape of German banking has been stimulated by Deutsche Bank's recent disclosure that it had accumulated a 5.21 per cent stake in Bayerische Vereinsbank, as well as by expectations that Swiss and Dutch banks would attempt to expand their presence across Europe.
"There are a number of serious

arguments stating that the German banking landscape will undergo considerable change in coming years," he said. "Other countries, such as the UK, have gone further than we have."
Allianz, whose bank shareholdings had a market value of DM8.5bn (\$5.75bn) at the end of 1995, would watch to see how such developments would affect its own interests.
Allianz holds 23 per cent stakes in both Dresdner Bank and Bayerische Hypothek- und Wechsel-Bank. It owns 15 per cent of BHF-Bank, which aims to use as a potential takeover candidate, as well as 5 per cent of Deutsche Bank and 12 per cent of IKB Deutsche Industriebank.
Mr Schulte-Noelle said Allianz did not intend to pursue "an industrial policy" in banking, suggesting that it might be willing to divest some of its holdings. But he pointed out that it had business alliances with Deutsche and Hypo-Bank.
Mr Schulte-Noelle forecast that Allianz's pre-tax profits would

rise by at least 10 per cent in 1996, though less sharply than last year's 34 per cent increase.
Allianz would need at least three years to reach its goal of 15 per cent return on equity, he added. In 1995, when Allianz benefited from tax write-offs, its net return was 11 per cent.
The integration of Verintec, the German private health, casualty, property and life insurer, would add considerably to profitability. Allianz announced on Friday a deal with Munich Re, the German reinsurance group, allowing it to keep Verintec without breaching competition rules. He hoped official approval for the deal would be obtained by the year-end.
The group intends to lighten its shares by cutting their denomination from DM50 to DM25. Next year, it will reveal its hidden reserves - the difference between the book value and market value of its securities and property investments.



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Continued on Page 12

NEWS: EUROPE

Walkouts hit German retail sector

By Judy Dempsey in Bonn

Warning strikes yesterday by German retail sector employees in support of a pay claim marked the start of summer sales, the time of the year when department stores hope to boost turnover. The workers are demanding a 5 per cent pay increase and a 55 per cent rise in overtime when longer shopping hours are introduced later this year.

The short walkouts called by the Gewerkschaft Handel, Banken und Versicherungen

(HBV), the trades, banking and insurance union, coincide with one of the longest periods of stagnation in the retailing sector caused largely by very low consumer spending and a sharp rise in unemployment over the past year.

Only a few large department stores were affected yesterday, as the union intends to build up its action over the next few weeks in an attempt to force employers back to the negotiating table. In one incident, the HBV said 300 workers at a department store in Kiel had

walked out after local pay talks had broken down.

Mr Rüdiger Woll, spokesman for the HBV, said the strikes would target the biggest department stores in the main towns and cities and would continue until the employers started serious negotiations.

He added that the HBV was determined to obtain for its members at least an extra DM1 (\$0.67) per hour. Shop assistants make up 300,000 of the HBV's 500,000 members. They are among the country's lowest

paid employees - their average pre-tax hourly rate is DM19.47, or DM23.173 a month.

Mr Margret Münte-Kraane, head of the HBV, said that in addition to a 5 per cent pay rise, the union would be seeking an overtime rate of 55 per cent more per hour during the weekdays and 40 per cent for Saturdays when longer shopping hours were introduced next November.

Germany's association of retailers said yesterday that the pay demands were unrealistic and would endanger jobs

because small shops would not be able to afford the increases. Sales and profits were expected to show another round of disappointing results this year.

Mr Walter Deuss, president of the association representing the large department stores, last week issued a grim forecast, saying he expected sales in member stores to fall a nominal 1.78 per cent in the first half of this year from a year earlier, with sale of textiles set to decline 3 per cent.

Mr Deuss blamed the poor level of sales on low pay settle-

ments in the community as a whole and the "unnecessary squabbling over the government's DM20bn savings package which retailers believe will damp any expectations for a rise in consumer spending.

A report on the retailing sector by the Ifo economics institute last week said there was no sign of consumer spending recovering. It predicted that sales would grow by only 1 per cent in nominal terms this year, stagnating in real terms, and that employers would be seeking job cuts.

Volcker to lead Holocaust cash hunt

By William Hall in Vienna

Mr Paul Volcker, former chairman of the US Federal Reserve, is expected to be appointed chairman of the international committee to investigate how much money due to victims of the Jewish Holocaust is still hidden in Swiss bank vaults.

The appointment of one of the world's most respected central bankers comes amid growing concerns that there is much more money in dormant Swiss bank accounts opened between 1933 and 1946 than the Swiss banks admit.

During this period, many German Jews opened Swiss bank accounts to safeguard their wealth, fearful of the rise of Nazism. Many of the account holders died in the Holocaust.

Mr Greville Janner, a British MP and chairman of the Holocaust Education Trust, released documents at the weekend indicating that allied governments were aware that the Nazis had deposited substantial amounts of looted gold in Swiss bank accounts.

Under an agreement dated May 25 1946 the allies agreed to waive further claims against the Swiss government and the Swiss National Bank in return for payment of \$60m of gold to help pay for the reconstruction of Europe.

The Swiss banks argued they were helping to protect Jewish depositors, but many Jews suspect the Swiss banks collaborated with the Nazis.

The problem of identifying the Jewish account holders has been complicated because most of the money was deposited in numbered accounts whose ownership was known only to the people who died.

Swiss banks have made attempts to clarify the situation over the years and have long argued that the sums involved are relatively small.

But recently the Swiss banks have become concerned that their desire to expand globally could be harmed by growing suspicion in the US and Israel that they have not been truthful about these accounts.

There had been fears that Jewish organisations might support a boycott of Swiss banks unless they made more efforts to co-operate in the search for money due to Holocaust victims.

In May the Swiss bankers' association and leading Jewish organisations signed an agreement in an attempt to sort out once and for all how much money due to victims of the Holocaust was hidden in Swiss banks. Progress has been delayed, partly because of uncertainty about membership of the seven-strong committee following the Israeli elections.

It has also taken longer than expected to find a chairman acceptable to both sides. Lord Howe, the former British foreign secretary and a noted lawyer, was one of several leading names canvassed.

Brussels castigates duty-free trade

By Neil Buckley in Brussels

Travel operators and the duty-free trade were sharply criticised by the European Commission yesterday for failing to enforce limits on duty-free purchases by travellers.

Brussels said it saw no case for extending duty-free concessions within the Union beyond 1999. It also rejected any increase in the value of VAT-free goods travellers can buy on journeys between EU member states from the present Ecu90 (\$115). It took member states to task for not making adequate preparations for phasing out duty-free.

EU finance ministers voted unanimously in 1992 to end such concessions within the Union since they distorted

the single market. They allowed a six-year transition period, to June 1999. They also asked the Commission to report on progress, and on whether there should be a further extension.

In a report accepted unanimously by commissioners, Mr Mario Monti, who is responsible for the single market, called the current situation "far from satisfactory" and rejected calls from the duty-free industry to preserve the Ecu90-a-year market. He said the duty-free trade "can produce distortions of competition not only regarding businesses selling tax-paid goods, but especially between different means of transport".

Eurotunnel, the Channel tunnel operator, has complained that it cannot sell duty-free goods because it started busi-

ness after 1992. It argues that allowing competing cross-channel ferries and airlines to continue with the duty-free trade was the equivalent of handing them a £100m-a-year subsidy.

Mr Monti said removal of border controls had made it difficult to police duty-free purchases. Responsibility for enforcing personal allowances had passed to retailers and travel authorities - even though it was in retailers' interests to sell as much as possible.

He said airports checked passengers' boarding cards before allowing duty-free purchases, but frequently failed to record the quantity of duty-free goods and value of VAT-free items, and these were not added to in-flight purchases. Ferries tended to check the quantity of

duty-free alcohol and cigarettes bought, but not the value of VAT-free goods.

Mr Monti added that while duty-free sales had fallen in recent years in Belgium, France, Portugal and Spain, and were level in Denmark, Ireland and the Netherlands, they had increased "remarkably" in the UK and Greece.

The International Duty Free Confederation, the trade body, said it would challenge the Commission's report and continue to lobby for a reprieve for duty-free. It argues that the tax-free trade creates employment, and reduces ticket prices for travellers. But companies such as BAA, the UK airport operator, have already started to look at turning shops into "factory outlets" or designer discount shops.

EUROPEAN NEWS DIGEST

Moscow acts on far east strikes

Authorities in Moscow said yesterday they were on the verge of ending a wave of strikes which threaten to cripple Russia's far east. However, protesting coal miners and power plant workers in the region said the crisis was growing.

Mr Alexander Livshits, presidential adviser on economic affairs, said money would be dispatched to the Pacific province over the next few days to pay miners and power plant workers, many of whom have not received their wages since March.

He also said the government would begin an overhaul of the energy system in the far east, whose inefficient combination of central planning and market principles led to a power black-out earlier this month and provoked the disgruntled workers. This morning, some 12,000 miners, more than a third of the region's total, were expected to go out on strike. Some workers, who say the government's overall wage arrears for far eastern miners exceeds Rb5150bn (\$22m), have threatened more severe action, including blocking the Vladivostok airport, and railways into the city.

His promises had no immediate effect on the disgruntled workers. This morning, some 12,000 miners, more than a third of the region's total, were expected to go out on strike. Some workers, who say the government's overall wage arrears for far eastern miners exceeds Rb5150bn (\$22m), have threatened more severe action, including blocking the Vladivostok airport, and railways into the city.

Workers at a local power plant have joined the protest, and are now in the fifth day of a hunger strike to demand their wages.

Christina Freeland, Moscow

Russia tightens foreign access

The Russian government, faced with Communist resistance to its proposals for attracting investment, will shorten the list of oilfields and other natural resources in which foreigners can take a stake, a senior parliamentarian said yesterday.

Mr Alexander Shokin, deputy speaker of the Duma (lower house), said the government would submit to parliament a list of fewer than 60 priority areas where foreigners could seek concessions under a new production-sharing law.

The government's original proposal, offering concessions in over 200 areas, was denounced by the Communists, the largest faction in the Duma, as a sell-out of Russian interests.

Mr Viktor Ilyukhin, the Communist head of parliament's security committee, said the initial proposal would imply opening up to foreigners some 38 per cent of Russia's oil, 18 per cent of its gold, 60 per cent of its silver, 50 per cent of its copper and 7 per cent of its gas. Mr Shokin was speaking at a conference in London of US and Russian legislators and oil executives, where all sides called for a reform of Russian taxes on the oil industry.

Bruce Clark, London

Mediator hopeful on Cyprus

Mr Kestler Headip, the latest international mediator to seek a settlement to end the 22-year division of Cyprus, yesterday said he was hopeful a solution could be found. He was speaking after separate talks with Mr Glafcos Clerides, the Greek-Cypriot president, and Mr Rauf Denktaş, leader of the island's minority Turkish community.

Ireland made Mr Headip the European Union's special representative on Cyprus when Dublin assumed the EU's rotating six-monthly presidency on July 1.

Mr Headip's visit follows a mission two weeks ago by Ms Madeleine Albright, Washington's UN ambassador, who said she had won an agreement by military commanders to reduce tensions on the island. The UK and the UN have also sent envoys to the island recently.

"The EU's importance has increased since last year's decision to open membership talks with Cyprus at the end of the Union's intergovernmental conference. Diplomats hope this will encourage the two communities to agree on a lasting solution, since membership is only likely once Cyprus is reunified."

John Barham, Ankara

Europe PC sales growth slows

Growth in sales of personal computers in Europe slowed further in the second quarter, held back by Germany's dull performance, according to Context, the research company. It said yesterday that buyers would be in an increasingly strong position in the months ahead as manufacturers and retailers scrambled for sales.

If prices did not drop, consumers could expect more computer power for the same money, while marginal manufacturers faced a desperate fight for survival, Context said.

In a survey, it said second-quarter sales in Germany, Europe's biggest market, were hit by consumer unease about job security and increasing taxes. Two weeks ago Escom, the German computer retailer, filed for bankruptcy, engulfed by a fierce price war.

Reuter, London

EU to keep eye on Albania poll

Local elections are to be held in Albania on October 29, President Sali Berisha said yesterday. The international community will take a close interest on the poll in the wake of the controversial parliamentary election victory by the president's Democratic party on May 26 and June 2 amid reports of intimidation and ballot-rigging. The European Union says the vote could influence the country's ties with Europe.

Reuter, Tirana

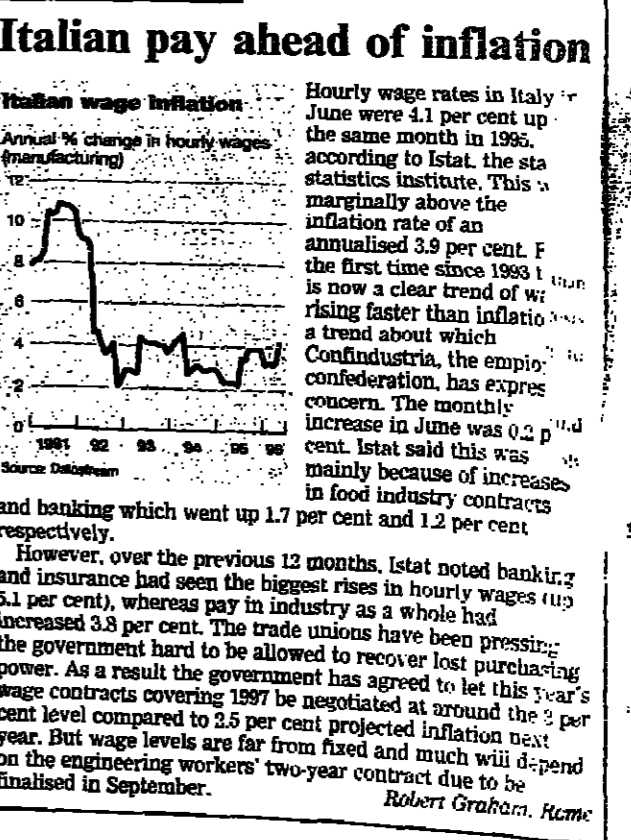
Gerhard Berger's aircraft held

Tax officials have confiscated the private aircraft of Gerhard Berger, the Austrian grand prix racing driver, pending a financial investigation, the Tyrol provincial revenue service said yesterday.

The tax authority said it had seized the aircraft when Mr Berger arrived at Innsbruck airport on Sunday on his return after withdrawing from the German grand prix.

"There is a suspicion he has not paid all required taxes on the plane but he is innocent until proven guilty," the authority said. Mr Berger denied the allegations. Austrian state television quoted him as saying he only had to pay taxes in Monte Carlo.

Reuter, Vienna



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Juppé details role of small business bank

By Andrew Jack in Paris

The French government yesterday promised a "partnership" between the country's commercial banks and a newly created state-backed institution designed to lend support to small and medium-sized businesses.

Mr Alain Juppé, the prime minister, stressed that there would be co-operation and not competition between the banks and the new Banque de Développement des Petites et Moyennes Entreprises (BDPME), the outline of which was announced this month.

Following discussions yesterday with financial institutions which will be involved in the bank, Mr Juppé said the BDPME would give France an institution which already existed in other countries; one designed to provide venture capital support, start-up funding and development finance to small businesses.

His comments come after commercial banks expressed concern that the new institution might jeopardise their relationships with business customers and undercut their interest rates.

The new institution will receive FF18bn (\$3.6bn) annually in extra funding and will

act as a holding company for two state-backed institutions, Crédit d'Équipement PME (CEPME), which supports small businesses, and Sofaris, which provides guarantees to companies most at risk.

Mr Jean Pierre Raffarin, minister for small business, said the aim was to support the creation of employment and to have the failure rate of new companies - 50 per cent fold within three years. A charter on relations between small businesses and their banks is planned.

The BDPME was given renewed impetus earlier this month in a television interview

by President Jacques Chirac, who promised greater support for small business and the creation of the bank by the end of the year. He caused considerable controversy several months ago by criticising the banks for insufficient support to small companies and charging too much interest.

The BDPME is one of a series of measures promised by Mr Juppé last November when he launched a plan for small businesses which included lower corporation tax, reduced electricity and gas prices and a battle against red tape.

It will be run by Mr Jacques-Henri David, the current head

of CEPME, which has suffered heavy losses over the past three years, including FF256m in 1995. Ministers say it will act as a "mediator" and a partner between small businesses and their banks.

While the new company, the CEPME will benefit from FF30bn in annual funding allocated by deposits in the Codevi, a tax-free government savings scheme designed to provide funds for loans to small businesses, and have access to the financial markets to raise additional money as required. The CEPME is expected soon to launch a new issue of bonds worth FF2bn.

company in 1993.

Although Refah leaders have said they support the principle of privatisation, Mr Neematollah Erbakan, prime minister and head of Refah, also favours an extension of the public sector. Last week he said profitable state companies should support loss-making ones.

The government is to unveil an economic policy package this week which will specify further revenue-raising measures, including sales of state-owned land and a fresh attempt at privatising Türk Telekom. But revenues are likely to be used to cover current spending rather than paying off domestic and foreign debts of nearly \$100bn.

Turkey names privatisation chief No.12

By John Barham in Ankara

fell on the news of Mr Karakaya's appointment.

A senior European banker based in Istanbul said: "The outlook for 1996 is pretty grim. I do not think there is anyone in Ankara who is able to focus on the issue. The general view is that this government has not got a clue about privatisation."

Both the Islamist Refah party, the coalition government's senior partner, and its ally, the conservative True Path party, support privatisation, but bankers and business leaders expect continued political opposition and legal challenges to sell-offs.

Court battles with leftwing opponents of privatisation

The Turkish government yesterday revived plans to build its first commercial nuclear reactor to avert an impending energy crisis. Consumption continues to outstrip the state-owned electricity generating company's ability to meet demand. Mr Ugur Doğan, energy ministry undersecretary, said Turkey would organise an international tender to build a \$3bn nuclear plant within six years with a capacity of 1,000MW-1,400MW. Mr Hüsnü Doğan, energy minister in the previous government, last May scrapped plans for a nuclear station. Critics say Turkey would be wiser to spend money on maintaining its existing distribution network and generators more efficiently.

have put the sale of Türk Telekom, the state telephone monopoly, on hold for two years. Other large state assets listed for privatisation include Tüpraş, a refinery, Petrol Ofisi, a fuel distributor and Petkim, a petrochemical company.

Privatisations have also been

clouded by accusations of corruption involving Mrs Tansu Çiller, True Path leader and a former prime minister, who is under investigation by a parliamentary committee of inquiry. She is accused of interfering in the sale of a minority government stake in the Tofaş car

company in 1993.

Although Refah leaders have said they support the principle of privatisation, Mr Neematollah Erbakan, prime minister and head of Refah, also favours an extension of the public sector. Last week he said profitable state companies should support loss-making ones.

The government is to unveil an economic policy package this week which will specify further revenue-raising measures, including sales of state-owned land and a fresh attempt at privatising Türk Telekom. But revenues are likely to be used to cover current spending rather than paying off domestic and foreign debts of nearly \$100bn.

clouded by accusations of corruption involving Mrs Tansu Çiller, True Path leader and a former prime minister, who is under investigation by a parliamentary committee of inquiry. She is accused of interfering in the sale of a minority government stake in the Tofaş car

NEWS: WORLD TRADE

US and Japan seek 11th-hour deal on semiconductor trade

By Michio Nakamoto in Tokyo and Neil Buckley in Brussels

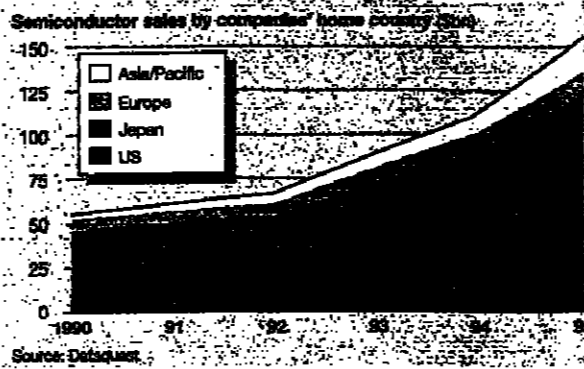
The US and Japan appear to be making progress during last-minute efforts to settle their dispute over trade in semiconductors by tomorrow's deadline.

To calm any concerns that the talks might collapse, saying that failure to reach agreement would not jeopardise US-Japan relations.

committed the Japanese government to guaranteeing an increased market share to foreign semiconductor makers, as the best means to ensure that Japan's market remains open to foreign suppliers.

ment role in the market, but US insistence that government involvement was essential for effective market opening finally succeeded in bringing the Japanese government back to the negotiating table.

The global market: a tripling in five years



any agreement should be multilateral rather than bilateral. Differences over whether or not Japan is in breach of an agreement over the deregulation of its insurance market also remain to be resolved before a self-imposed deadline at the end of the month.

Vietnam and BHP at odds on oilfield

By Jeremy Grant in Hanoi

The future of Australian energy group Broken Hill Proprietary's involvement in the controversial Vietnamese Dai Hung (Big Bear) oilfield was thrown into doubt yesterday.

Brussels prepares Cuba fightback

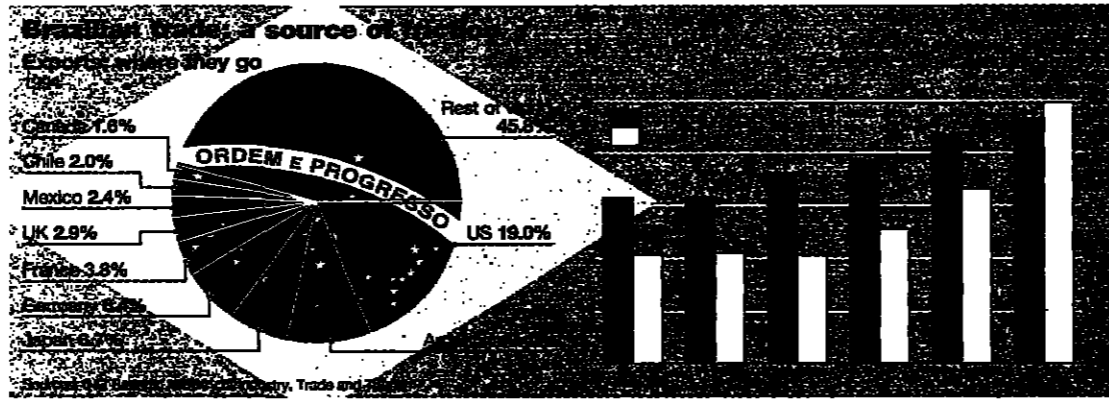
By Neil Buckley in Brussels

The European Commission is expected today to publish the final draft of 'anti-boycott' legislation to counter the US Helms-Burton Act.

Brazil falls out with its trading partners

Going into deficit has triggered a range of import quotas and tariff increases, writes Jonathan Wheatley

The failure of informal consultations between Brazil and Japan to resolve a dispute over Brasilia's restrictions on motor vehicle imports last week was the latest episode in a series of disagreements between Brazil and trading partners.



Since Mr Francisco Dornelles took office as trade and industry minister in May, quotas on textile imports and a sharp increase in duties on toys have added to worries that the government may be wavering in its commitment to free trade.

imports and to raise duties from 32 per cent to 70 per cent. The quota was lifted after objections at the World Trade Organisation, but the duties remained.

South Korea cut imports of many products by more than a third. Among other measures, tariffs on imported wine and footwear have doubled to 40 per cent; tariffs on rice have risen from 10 per cent to 22 per cent; on peaches from 14 per cent to 40 per cent; on gypsum from 4 per cent to 66 per cent.

Critics of the measure say Brazil's manufacturers have a case for seeking protection against toys from China, but those who favour WTO safeguards - which may not specify country of origin - because of the difficulty of imposing other barriers.

"Requests for assistance from importers and exporters are assessed on purely technical grounds," he said. "Most requests are turned down. The ministry is not a hospital for sick companies - they don't get protectionism here."

Some observers say Mr Dornelles is not above adjusting his tone for local and foreign audiences, and see a political element in much of his tough talk. Mr Dornelles is a career politician with ambitions to be governor of Rio de Janeiro state; championing domestic industry will do him little harm among Brazil's elite.

NEWS: INTERNATIONAL

Officials believe the 20 countries willing and able to sign up will encourage others

Nations rally to IMF's statistics standard

By Robert Chote, Economics Editor, in London

At least 20 industrial and developing countries have indicated that they are willing and able to subscribe to the International Monetary Fund's new quality standard for economic statistics, which it hopes to launch next month.

international financial markets. In June and July IMF statisticians explained these standards to officials from the statistical agencies of more than 50 of those countries, in seminars held in Geneva, Santiago and Bangkok.

For example, a country such as Australia could choose to continue producing quarterly consumer prices data rather than monthly data as the standard stipulates. But free passes cannot be used to avoid some key requirements, including the provision of timely data on foreign exchange reserves.

Many countries, for example, have work to do before they will be able to produce adequate quarterly national accounts. In spite of the leeway built into the scheme, two of the Group of Seven leading industrial countries have not yet indicated that they are ready and able to subscribe to the standard.

metadata has proved sufficiently difficult that the IMF still cannot be confident that the bulletin board will be up and running by the end of August. Eventually, however, the IMF would like the site to provide a gateway through which users can gain access to the statistics themselves.

Women suffered most in global recession

By Robert Taylor, Employment Editor

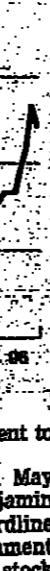
Women workers suffered more than men across the world in the economic recession of recent years, according to a report published today by the Geneva-based International Labour Organisation.

the number of women migrant workers is increasing steadily. The substantial growth in the number of women workers in industrialised nations reflects the increase in part-time employment. Women make up between 65 and 90 per cent of all part-timers in industrialised economies.

hours than men for lower pay, earning only between 50 and 80 per cent of men's wages worldwide. As many as two-thirds of the nearly 14 adult illiterates in the world are female. Sixty per cent of the 100m children without access to primary education are girls.

New hotel building is thriving in parts of the Middle East, where tourism has been growing over the past decade, but there is now a danger of hotel oversupply, says HVS International, the hotel consultant.

Israel to cut interest rates. The Bank of Israel said yesterday it would lower its key lending rate by 0.7 of a percentage point to 16.3 per cent, signalling that inflationary pressures in Israel are moderating.



Erbakan to back Kurd umbrella

By John Barham in Ankara

Turkey's parliament is to decide today whether to renew permission for a US-led air umbrella over the Kurdish provinces of northern Iraq.

Mr Erbakan demanded a number of concessions from Washington. They include a US declaration that it "will not support an independent status for northern Iraq".

Worldwide, women work longer hours than men for lower pay

than a third of the female workforce in Africa work in the informal sector with 72 per cent of these in Zambia and 69 per cent in the Gambia.

The survey also shows women face widespread discrimination. It says women work longer

International hotel chains are planning to add 5,000 rooms this year and another 7,000-8,000 by 1999. "If occupancy rates are to remain at their present level, this would require the Middle Eastern tourism market as a whole to grow by approximately 8 per cent per annum in order to service the new supply," said the report.

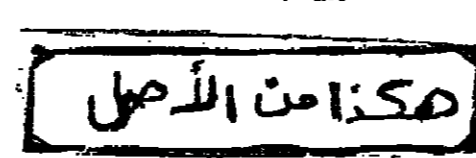
Israel to cut interest rates. The Bank of Israel will today issue a tender for the purchase of Shik25m (\$70m) of government bonds, as part of the government's plan to stabilise the bond market.

Burundi leader in bid to ease tension

By Michela Wrong and agencies

Burundi's new strongman and members of the international community were trying yesterday to bring calm to the tense central African country as the danger of extensive killings among the Hutu majority and Tutsi minority loomed.

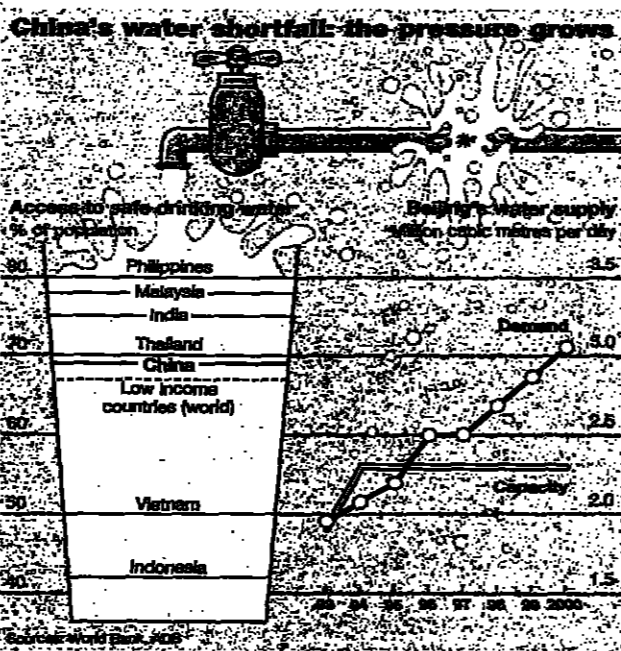
the bloodletting and insisted the army had only seized power because "forces of insurrection" were about to rage out of control.



Costly action to end country's reservoir shortages is needed urgently
China's water slows to a trickle

Viewers of television footage of devastating floods in southern China could be forgiven for believing the whole country is awash. But the news from the north tells a very different story.

China's northern regions are suffering severe water shortages and unless remedial action is taken at a cost of billions of dollars the country faces a crisis by early next century. Mr Ni Maosheng, minister of water resources, said this week that more than half of China's 600 large and medium-sized cities face shortages and 108 were severely deprived.



China has total water resources of 2.8tn cubic metres with average per capita availability at 2,300 cubic metres, but in China's nine northern provinces it is just 500 cubic metres.

metres of ground water annually with the result that the water table is now 50 metres below sea level, causing serious subsidence problems.

Science and Technology Daily said that by 2010, unless new water supplies were tapped, Beijing would face an annual shortfall of 1tn cubic metres.

In Tianjin, a city of more than 10m and one of China's busiest ports, the situation is even worse. Water availability per capita is the smallest in the country, amounting to 6.7 per cent of China's average.

Record current account deficit for S Korea

By John Burton in Seoul

South Korea reported a record current account deficit of \$3.59bn for the first half of 1996 - an indication that it will exceed the government's recent estimate of a record \$11bn-\$12bn for the full year.

The trade deficit increased 20 per cent to \$5.21bn because of a sharp fall in international prices for key Korean export products such as semiconductors, petrochemicals and steel.

Industry output falls in Japan

Japan's economic recovery continued unevenly last month with a sharp fall in industrial production after increases for three months. Output from the nation's factories and mines fell 3.9 per cent in June from a month earlier, but government statisticians were quick to point to aberrant factors.

Samsung denies spy link
Samsung, the South Korean conglomerate, yesterday denied last week's arrest of two employees of its aerospace subsidiary was linked to industrial espionage for the company.

Australian deficit falls
Australia's current account deficit dropped to a seasonally adjusted A\$1.29bn (US\$1.02bn) in June, the smallest monthly total since March 1994 and an improvement on the revised A\$2.2bn recorded for the previous month.

Singapore to lower forecast
Singapore is likely to revise downward its 1996 forecast economic growth for a fall in exports in June, partly due to the slowdown in global demand for electronics products.

Ekran to boost airline stake
Ekran, the Malaysian company leading construction of the \$5.5bn Bakun dam in Sarawak, yesterday confirmed plans to expand its stake in Saegaya Airlines, a domestic carrier, from 20 to 50 per cent.

Thailand resists devaluation pressure

Baht and stock market suffer heavy selling as inter-bank interest rates double to 20%

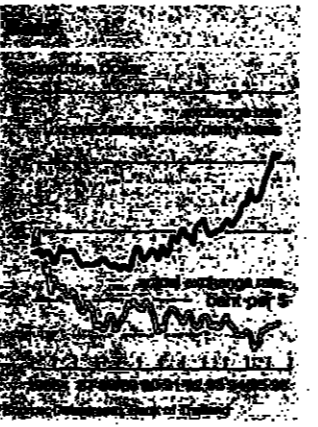
By Ted Bardecke in Bangkok

Thailand's central bank yesterday denied that a devaluation was imminent as the baht came under heavy selling pressure.

The stock market, too, continued to decline sharply with foreign investors abandoning the Thai market over fears the economy was heading into a prolonged slump.

The market has fallen 7.2 per cent since Monday of last week and more than 23 per cent since its 1996 high in February.

Exports, which account for nearly half of Thailand's GDP, grew only 6 per cent in the first half of 1996, compared with 23.6 per cent in 1995.



achievable scenario," says Ms Arpana Chatterjee, chief economist for Thailand at Deutsche Morgan Grenfell.

Normal export growth is about 15 to 18 per cent but you can't expect to get that after a year of 23.5 per cent," Ms Arpana says.

Others are more pessimistic. "I expect more disappointment on the export figures," says Mr George Morgan, research director of HG Asia.

meagre and ease dependency on exports would be a currency devaluation to keep low cost exports competitive.

With Thai politicians so far unable to come up with any long-term coherent strategy to ensure that exports remain stable, the central bank has only interest rates to work with in trying to manage an increasingly complicated situation.

Vietnam's oil agency seeks to raise \$500m from foreign banks

By Jeremy Grant in Hanoi

PetroVietnam, Vietnam's oil agency and one of the country's few relatively healthy state-run companies, hopes to borrow over \$500m from foreign banks in the 1996-97 fiscal year as part of an aggressive fund-raising programme.

The move comes as the Communist-ruled country is struggling to contain a growing trade and current account deficit.

Mr Ha said they include a controversial \$1bn plan for the country's first oil refinery at Dung Quat, a remote coastal site in central Vietnam, joint development with Malaysia's Petronas of a block in waters overlapping the Vietnamese-Malaysian sea border and two oil prospects close to the Vietnamese coast.

It has contracts with about 30 foreign oil companies for exploration rights offshore but Vietnam in thought keen to develop its own, independent exploration capabilities as soon as possible.

unlikely to raise the whole amount.

The Communist-run country earlier this year concluded a deal with the London Club of commercial creditors, settling over \$900m in arrears.

instead of a government guarantee as collateral for any loan, but bankers are divided over whether this would constitute an infringement of IMF agreements.

The government's statistical office said exports during the period were valued at \$3.2bn, with imports at \$5.4bn.

Dhaka budget aids foreign investors

By Karna Naji in Dhaka and Agencies

Bangladesh's finance minister Mr Shah Kibria has announced fresh incentives for foreign investors in the country's stock market and pledged a cautious continuation of economic reforms.

expansion of a market-based competitive economy based on lower duties on many imports.

aid, Mr Kibria said "conditionalities had become stringent. We need not only more aid but also better aid."

Mr Kibria said he hoped to raise economic growth to 5.5 per cent during the current fiscal year against 4.7 per cent in the previous year, which ended in June.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

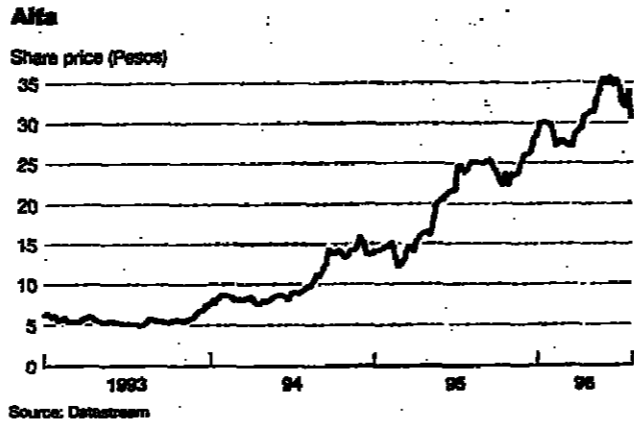
Table with columns for countries (USA, Japan, Germany, France, Italy, UK) and rows for various financial indicators like Money, Interest Rates, and Equity Market Yield across different time periods from 1985 to 1996.

Alfa broadens focus of AT&T telecoms venture

By Leslie Crawford in Mexico City

Alfa, the Mexican industrial conglomerate, plans to extend its investments in telecommunications to cover local as well as long-distance telephony.

Migoya, chief corporate director, said the Alpek flotation would help raise cash for new business ventures.



Alfa Share price (Pesos) Source: Datastream

radio spectrum. It was also selling 22m shares held in its treasury to raise some \$100m for the new telecoms ventures.

ASX to vote on demutualisation

By Nikki Tait in Sydney

The Australian Stock Exchange is to ask its stockbroker members to vote in October on a "demutualisation" proposal, a move that could dramatically restructure the organisation of share trading in Australia.

Like the London stock exchange, the ASX abolished fixed commissions in the 1990s. Mr Maurice Newman, chairman of the ASX, said yesterday that the current structure had served the ASX "very well".

Spin-offs turn heads in Hong Kong

Interest is centred on infrastructure companies, writes Louise Lucas

Spin-off fever has hit Hong Kong. Since October, when New World Development bled off its infrastructure activities in a separate listing, developers have raised some HK\$9.5bn (US\$1.1bn) internationally by spinning off Chinese infrastructure or property activities, and analysts reckon the trend is likely to continue.

with long-term projects without increasing the company's overall gearing. Investors applaud the creation of new, more focused entities, and with it greater transparency through the release of information for listing purposes.

sarily coming up with the goods. Henderson China was oversubscribed, but its performance on the market has been unimpressive. And Cheung Kong Infrastructure (CKI) made a flat debut when its shares started trading.

shares on the discount to the net asset value: CKI and NWT were both priced at discounts of just below 5 per cent. Such number-crunching has also brought dividends for the parent companies.

Recent spin-offs of infrastructure subsidiaries

Table with columns: Company, Funds raised (\$Million), Date. Lists New World Infrastructure, Henderson China Holdings, Road King Infrastructure, Cheung Kong Infrastructure, and La Sun Developments.

* China property spin-offs. Source: Hong Kong Stock Exchange, company releases, market releases.

NEWS DIGEST

3M ahead despite stronger dollar

3M, the diversified US manufacturer, recorded a 10 per cent advance in after-tax profits in the second quarter, to \$565m, in spite of currency movements which wiped 5 percentage points from its earnings for the period.

Macquarie Bank listing quiet

Macquarie Bank, Australia's only big domestically-owned investment bank, yesterday made a low-key stock market debut, with its shares opening at A\$6.95 - directly in line with the former over-the-counter market price.

CIM Resources boosts holdings

CIM Resources, the Australian coal producer in which JFE Mining of the UK recently agreed to take a minority stake, is to raise its stake in the Stratford coal mining joint venture from 70 to 80 per cent.

Dacom profits surge 44%

Dacom, South Korea's second-largest telecoms company, reported a 44 per cent increase in net profits, to Won10.5bn (\$33.5m), for the first half of 1996 as sales climbed 78 per cent to Won510bn.

HK broker deal talks suspended

Shanghai International (HK), the Hong Kong-listed arm of China's biggest securities company, has suspended talks with Sun Hung Kai & Co - the local financial services group it was planning to buy into - in the absence of regulatory approval from Beijing.

Kuok unit raises HK\$2.5bn

Kerry Properties, a unit of Malaysia's Kuok Group, said it raised a net HK\$2.5bn (US\$320.7m) from the flotation of 150m shares at HK\$17.50 each. It told the Hong Kong Stock Exchange yesterday it would use HK\$1.5bn of the proceeds for loan repayments to former shareholders, and retain net cash of HK\$950m.

Westpac and AMP end five-year pact

By Nikki Tait

Westpac, the Australian commercial bank, and the AMP Society, the country's largest life insurer, have called off the "strategic alliance" which they set up five years ago.

The alliance was formed at a time when Westpac, which carved out a reputation as Australia's leading bank in the 1990s, was suffering from bad loans and a downturn in the property market.

METRO AG Cologne, Federal Republic of Germany Merger of ASKO Deutsche Kaufhaus AG Deutsche SB-Kauf AG KAUFHOF Holding AG Dresdner Bank AG acted as advisor and has been appointed by KAUFHOF Holding AG as trustee for the merger. July 1996 Dresdner Bank

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Mannesmann warns on Demag losses

By Michael Lindemann
in Bonn

Mannesmann, the German engineering and telecom group, yesterday said that Demag, its biggest subsidiary, would report unspecified losses this year because of difficulties with a contract to build a steel plant in the US. Demag said its results would also be hit by an unspecified restructuring charge after the merger of the group's engineering and plant activities.

Mr Joachim Funk, chief executive, said that the company's annual meeting last month that the company overall expected 1996 net profits to be "slightly" better than the DM701m reported last year.

Mr Michael Hagmann, an engineering analyst at UBS in Frankfurt, said that earnings per share forecasts might have to be scaled back by DM3, to about DM21.

Until yesterday, UBS had forecast operating losses of about DM100m at the Demag subsidiary and a merger restructuring charge of DM55m.

Bull expects 1996 profit despite interim loss

By Andrew Jack in Paris

Group Bull, the troubled computer company controlled by the French state, yesterday announced losses of FF612m (\$122m) for the six months to June 30, while reiterating its aim of returning to substantial profits for the full year.

most of the losses were non-recurring charges triggered by problems in the global personal computer market, while its ongoing businesses generated an operating profit.

The deal also affected other parts of its PC business, reducing income from both its electronic cards manufacturing operations.

High inventories and falling prices also cut revenues generated by the sale of its memory chips.

The French government still holds 36 per cent of Bull's shares directly, and a further 17 per cent through France Télécom.

Stork confident of case for adoption

The group sees Fokker Aviation as a good fit, says Gordon Cramb

Stork, the Dutch industrial group, is nothing if not pragmatic. This month it agreed to pay FF302.5m (\$122m) to take over the profitable maintenance arm of Fokker, the failed aircraft maker.

Stork regards itself as a company which "delivers technology", but it is largely seen as an industrial conglomerate, with interests spanning printing and packaging, components manufacture, technical services, engineering and contracting.

and, with more than 40 per cent of the world market, is likely to benefit from a shift away from red meat among western consumers.

The group is, however, seeking to focus increasingly on knowledge intensive industries. Other subsidiaries engage in the engineering of installations for the oil and gas, chemical and power generation sectors, and Stork is an independent provider of industrial services, installing and maintaining machinery no matter what the make.

That is where Fokker Aviation best fits. An official says: "It is not one of our core activities to manufacture aircraft. Maintenance is."

But if a buyer comes along for the whole group, Stork may have to give up its baby. If no such purchaser appears before 1998 it can consolidate the new operations, and in effect no more Fokkers would be built. That is fine, Stork says. "Older aircraft require more servicing than new ones."

Along with an ageing population of 1,500 Fokker airliners, the unit is licensed to maintain Boeing 737 airliners and the Lockheed P-16 fighters operated by European Nato countries. It also makes parts for Airbus, among others. As a result, Fokker Aviation derives less than 30 per cent of its revenues from keeping aloft the aircraft of that name.

company for capital goods, derives at least a third of its business from the domestic market and about the same proportion from the rest of Europe. The purchase may reduce criticism that it is too dependent on capital spending in Europe, and that many of its two-Dutch operations are too small or too limited in scope.

The group remains willing to take a minority stake in the aircraft builder as part of a consortium if bigger industrial partners come along. This would help protect its interest in Fokker Aviation. If a bidder for the rest of the bankrupt company wanted the unit included in the purchase, Stork would be required to hand it over.

While Stork describes this as "rather theoretical" - the receivers have had no firm offer for the main Fokker company - few potential buyers are likely to ignore the attraction of FA's income stream.

Mr Herman van Everdingen, of Kempen & Co, the Amsterdam merchant bank, says that although there are few synergies between the new and existing businesses, "the risks for Stork are relatively limited". Stork's international network could help Fokker Aviation broaden the installed base of equipment it supplies and maintains, he says.

Fokker Aviation's components division draws as much as 70 per cent of sales from the international defence industry, supplying, for example, the F-16 and Stinger missile programmes. Its maintenance activities are spread evenly among Europe, the Americas, and the rest of the world.

Stork is also the leader in poultry processing equipment

and financial muscle". he added.

Financial markets reacted positively and Aker's B-shares rose NKR4.50 to NKR121. Mr Peter Lawrence, head of Scandinavian research at Kleinwort Benson in London, said it was "a sensible move" which would strengthen Aker in an increasingly international market.

Mr Frode Geitvik, Aker senior vice-president, said the merger was being made for industrial reasons and not in

order to downsize. Aker was stung in floating platforms, while Maritime had special expertise in production ships, he said.

and financial muscle". he added.

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Restructuring continues at Aker

By Greg Michor in Stockholm

Aker, the Norwegian offshore engineering and cement group, is to merge its oil and gas technology division with Maritime Group, a Norwegian affiliate, creating a company with combined sales this year of NKR10bn (\$1.66bn).

Earlier this year, Aker acquired 40.25 per cent of Maritime's shares from ABB, the Swiss-Swedish engineering group, for NKR405m. The new group, to be named Aker Maritime, is to be listed on the Oslo stock exchange and have a market capitalisation of around NKR7bn.

Mr Jon Reinhardtson, Maritime Group vice-president, said his group's lack of size had prevented it from offering top-bottom "turnkey" solutions for larger contracts. The merger would yield "more flexibility

and financial muscle". he added.

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In a joint announcement, the two groups said their respec-

ive boards had approved the merger and that shareholder assent would be sought at annual meetings in mid-September. In addition, the deal requires clearance from Aker's corporate assembly.

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Borealis first-half profits drop to DKr154m

By Hilary Barnes
in Copenhagen

Borealis, the Copenhagen-based polyolefins joint venture between Norway's Statoil and Finland's Neste, saw first-half pre-tax profits tumble as the group was hit by weak prices and higher raw material costs.

Profits slid from DKr2.35bn last year to DKr154m (\$17.2m) this year, while sales declined from DKr9.70bn to DKr7.46bn.

The group said the average price of polyolefins, the raw materials used in production of plastic products, were down 25 per cent on the peak levels reached in the first half of last year, while raw material costs, when converted into Danish kroner, rose by 15 per cent.

However, second-quarter pre-tax profits were DKr74m, roughly in line with the first quarter's DKr80m, and represented a continued recovery from the DKr367m loss suffered in the final quarter of last year.

Borealis said market demand remained good throughout the quarter, although it softened towards the end of the period. Sales volume was up by 4 per cent from last year, although production dropped by 5 per cent as a result of slowdowns in Norway and Portugal.

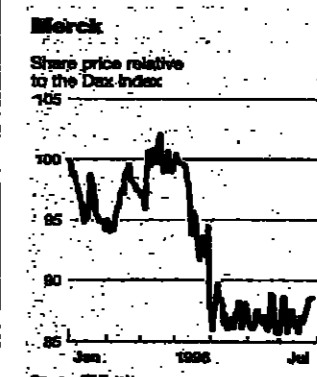
The second quarter saw important breakthroughs for Borealis. Earlier this month it signed a joint venture agreement with Abu Dhabi to build a large polyethylene production facility. Borealis will hold 40 per cent and Abu Dhabi National Oil Company the other 60 per cent.

Agreement was also reached during the quarter on transferring polyethylene production facilities in Portugal to Borealis from the state-owned CNP group.

Borealis said it had also made significant progress in its rationalisation programme, which includes the use of fully-integrated computer systems for sales and orders handling.

The programme is expected to yield increasing financial benefits through the remainder of this year.

Merck boosts sales in first six months



Merck, the German drugs and pharmaceutical group, lifted sales in the six months to June to DM3.4bn (\$2.3bn), an increase of 6.1 per cent on a year earlier. Adjusted for acquisitions and sales of shareholdings, sales rose 8.6 per cent, the company said. Two percentage points of the growth were a result of "positive" exchange rate movements. Domestic sales advanced 7.2 per cent, while foreign sales were up 9 per cent. A "considerable pick-up in business" was recorded in the second quarter compared with the first. Merck added. Sales by the pharmaceuticals division rose 10.3 per cent to DM1.915bn, while the laboratory chemicals division posted a 9.1 per cent increase to DM833m.

The company attributed the rise in laboratory sales to an increase in foreign business. Meanwhile, the domestic business recovered from the first quarter, with sales slightly above year-earlier levels. Sales at the special chemicals division rose 3.6 per cent in the first half to DM666m, and sales in North America increased by 13.5 per cent. Latin American sales were up by 11.1 per cent.

Merck said the improvement was a result of expansion in the pharmaceuticals business. First half European sales were ahead 5.3 per cent from a year earlier to DM2.14bn. Adjusted for disposals and acquisitions, European sales rose 6.1 per cent from a year earlier, Merck added.

BBV in talks to buy LatInvest

Banco Bilbao Vizcaya of Spain is in talks to buy LatInvest, the specialised Latin American brokerage house set up in 1992. LatInvest, with offices in London, New York, Geneva and Caracas, is 66 per cent owned by InverMexco, the troubled Mexican financial group which has been seeking a foreign partner for its domestic business. A further 12 per cent is held by Bozano Simonsen of Brazil, and the balance by LatInvest managers. LatInvest said the talks with BBV were on an exclusive basis. BBV, with \$110bn in assets, has recently expanded in Latin America through banking and securities acquisitions in Mexico and Peru. It has agreed in principle to buy a bank in Colombia and said it would look at other opportunities in Latin America.

NatWest to advise on Alpinvest

The Dutch government yesterday appointed NatWest Markets, part of the UK's National Westminster Bank, as its adviser in the planned sale of its 30.3 per cent holding in Alpinvest Holding, a provider of venture capital to industry. ABN Amro, the big Dutch banking group, owns nearly half of Alpinvest. The British institution will advise the state on whether to offer the stake to existing shareholders or more widely, possibly through a flotation.

Philips, the Dutch electronics group, is to close a factory making video cassette recorders in Nuremberg, the first casualty announced under the restructuring of its troubled audio-visual equipment business which was unveiled last week. Production from the German plant, which employs 580 people, is to be moved to Austria and Hungary.



Jan Hovers, Fokker Aviation should hit targets in 1997



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New economy minister seeks to repair the budget deficit

Tax changes in store for Argentines

By David Pilling in Buenos Aires

Mr Roque Fernández, Argentina's new economy minister, yesterday said he would pursue a rigorous fiscal policy and introduce some tax changes to repair the growing budgetary deficit that is threatening the country's agreement with the IMF.

Mr Fernández, who was due to be sworn in yesterday evening, said he was considering raising fuel taxes, especially those on diesel, to increase revenue. However, President Carlos Menem, whose political backing for his new minister will be closely monitored in the next few days, immediately ruled out any tax rises.

Mr Fernández's reaction to Friday's surprise sacking of Mr Domingo Cavallo and his replacement by Mr Fernández, with Brady bonds opening slightly higher in London and New York. The Merval index of blue-chip stock was 3.65 per cent higher shortly after trading began.

Ms Joyce Chang, head of emerging market debt research at Merrill Lynch, said the transition had been handled "materially" with Argentine political, business and financial leaders throwing their weight behind the new minister. Even the departing Mr Cavallo backed Mr Fernández.

"There's been a complete sea-change in sentiment in terms of linking Cavallo with the success of the continuation of the convertibility plan," said Mr Neil Lockwood, emerging markets economist at ANZ Bank in London. The viability of the convertibility plan, the government's economic cornerstone, had until recently been thought by many foreign investors to depend almost exclusively on Mr Cavallo.

Mr Fernández, who at the weekend named his team of largely Chicago-trained economists, told foreign investors yesterday that he would cut spending and modify some taxes to rectify Argentina's increasingly wayward fiscal situation. He preferred to balance budgets than to take on new debt, he said.

Argentina would, nevertheless, need to seek a waiver from the IMF and renegotiate targets when the Fund visited Buenos Aires early next month, he said. A sluggish economy and low tax receipts have already caused the treasury to overshoot the \$2.5bn deficit agreed with the IMF for the whole year.

Local analysts said much would depend on Mr Fernández's ability to work with Congress to pass legislation. "He doesn't have the same strong personality as Cavallo, but this had become a liability," said Mr Freddy Thomsen, economist at ING Bank in Buenos Aires. "Cavallo's relationship with Congress had become so bad that they were blocking legislation just because it came from him."

Legislators promised to work closely with Mr Fernández and dispatch new legislation rapidly, especially that dealing with the privatisation of nuclear and hydro-electric plants, as well as airports. However, Mr Fernández has said that draft legislation to tax luncheon vouchers, widely used in Argentina as a tax-free wage supplement, would not be withdrawn. Public outcry over this legislation had dominated the final days of Mr Cavallo's tenure.

Mr Lockwood of ANZ said doubts over the political effectiveness of Mr Fernández remained, although he believed there would be an initial "hand of goodwill" extended to the new minister.



Alberto Fujimori: plans to create bank for the poor

Fujimori pledges to aid indebted companies

By Sally Bowen in Lima

The Peruvian government is to take a more active role in promoting exports and aiding out viable but indebted businesses, President Alberto Fujimori announced in his annual state-of-the-nation address.

The president acknowledged in his speech on Sunday that economic slowdown had created "difficulties (which are) undoubtedly temporary". Since his election in 1990, Mr Fujimori has presided over Latin America's most sweeping and rapid programme of liberalisation. Gross domestic product grew, on average, by more than 8 per cent a year - faster than any other country on the continent - between 1988 and 1995.

But fears of overheating and a resurgence of inflation prompted measures in late 1995 to cool the economy; growth in this year's first half has slowed to a virtual standstill.

In his speech, Mr Fujimori predicted GDP would grow at a steady 5-6 per cent a year until the end of the century and said there would be no backtracking on fiscal austerity, the promotion of private investment or the commitment to modernising the state.

But in what is billed as a second wave of reforms to consolidate the market economy, legislation is being prepared to allow indebted businesses in the productive sector to restructure crippling tax burdens and reduce high financial costs. No details of the debt restructuring plan are yet available, but industrialists say that about 3,500 businesses could fall into the relevant category.

The president also hinted at greater state involvement in export promotion. Primary and semi-processed products, mainly minerals and fishmeal, account for the bulk of Peruvian exports, making foreign

exchange earnings dependent on fluctuating international prices. New export-promotion initiatives are likely to concentrate on the agro-industrial and textile sectors.

In another move apparently designed to protect existing jobs and create new ones, Mr Fujimori announced the creation of a "bank for the poor", with technical support from the World Bank and modelled on Bolivia's successful BancoSol. Backed by domestic commercial bank and credit lines from abroad, BancoSol allocates micro-loans to small businesses, workshops, craftsmen and street traders. Loans are usually for less than a year, and amounts rarely exceed a few hundred dollars.

Following a series of drug smuggling scandals involving the Peruvian armed forces, Mr Fujimori also announced the suspension of commercial transport operations by the navy and air force.

US given interest rate nudge by IMF

By Robert Choat, Economics Editor

The International Monetary Fund is privately urging the US Federal Reserve to raise interest rates, reflecting concern at accelerating wage inflation.

The IMF's board met last week to discuss the conclusions of the annual "Article Four" consultation between IMF staff and officials from the Fed and treasury department. One board member said there was widespread agreement the Fed should tighten monetary policy soon.

Officials said some countries had expressed concern about the recent weakness of the US dollar, but that domestic considerations were the main reason that most recommended a rate increase. IMF staff are particularly concerned by signs that a tightening in the labour market is putting upward pressure on wage inflation.

Average weekly earnings rose 2.2 per cent in June, following small declines in April and May. Market attention will be focused today on the second-quarter employment cost index, after Mr Alan Greenspan, Fed chairman, referred to the previous figures as "potentially worrisome".

In his Humphrey Hawkins testimony to Congress, Mr Greenspan said the factors restraining wage inflation in recent years might be abating, although he pointed out that an upturn need not be dangerous if it reflected higher productivity.

Most Wall Street analysts expect the Fed to raise interest rates at the next meeting of the Federal Open Market Committee on August 20. Some believe the Fed may act earlier if prompted by further evidence of inflationary pressures.

The IMF also warned the US that it needed to do more to get its finances under control. The US authorities had to provide clearer evidence that they were on course to achieve a balanced budget.

Congress calls truce in race to pass laws

By Patti Waldmeir in Washington

Eager to avoid a voter backlash in the November elections, US legislators are poised to put aside partisan bickering and pass important new laws before Congress goes into recess at the end of the week.

After months of parrying the charge that they are a "do-nothing" Congress gridlocked in fruitless debate, congressmen and women from both parties are pushing to pass bills to use as campaign material when they return to their

districts for the August recess. House Republican leaders hope this new spirit will yield final votes on legislation involving welfare, immigration, safe drinking water, and health insurance as well as a measure to raise the minimum wage to \$5.15 an hour from \$4.25.

They hope that legislative action will allow them to counter voter disgust with Congress's lacklustre performance to date, and with Washington politicians in general. The Republicans now believe voters are more likely to wel-

come signs of bipartisan action than they are to applaud a continuation of the party's previous strategy of passing radical legislation and then condemning President Bill Clinton for vetoing it.

"I think there's no question that the country needs agreement on health insurance and welfare reform. The Congress wants to show that we can produce," said Mr Trent Lott, Senate majority leader.

Toward that end, Congress is trying to thrash out a version of welfare reform legislation which the president will sign.

That bill is due to emerge shortly from the House-Senate conference committee, where legislators are resolving differences between the versions passed by the two chambers and trying to decide what amendments will make it acceptable to the White House.

On health insurance legislation, which would facilitate the portability of insurance from job to job, legislators removed the biggest stumbling block to passage last week when they reached a bipartisan deal on the issue of medical savings accounts, which would allow

some Americans to save for future health care. A deal on health care would also clear the way for approval of the minimum wage increase, which has been indirectly blocked by the dispute over health legislation.

Meanwhile, Mr Clinton yesterday scored another campaign victory with an announcement that the television industry had agreed to provide three hours a week of educational shows for children. The president has recently campaigned heavily on "family values" and children's issues.

Canada orders ICN to cut price of drug

Canadian regulators have ordered the local subsidiary of California-based ICN Pharmaceuticals to cut the price of its Virazole anti-infection drug by almost 90 per cent, and pay a C\$1.2m (US\$976,000) penalty for excessive pricing, Bernard

Simon writes from Toronto. The ruling is the first since the formation of the Patented Medicine Prices Review Board in 1987 under reforms to extend patent protection on brand-name pharmaceuticals. The board has reached about 100 "voluntary" settlements,

which it claims have saved consumers about C\$110m. It found ICN had sold Virazole at "an excessive price" since January 1994, and ordered the company to reduce the price of a 12-hour dose from C\$1,640 to about C\$200.

Virazole, the only drug of its kind, is used to treat lower respiratory tract infections in children. The board launched its investigation after complaints from hospitals that the price of the drug had more than quadrupled in 1994. The C\$1.2m penalty represents

twice the estimated "excess" revenue received by ICN since early 1994. ICN has challenged the board's jurisdiction, claiming Virazole is not a patented medicine as its patents have expired. A court ruling is pending.

ATLANTA OLYMPICS

Everybody loves the people's boat

Keith Wheatley on the Laser's debut

From a sketch on a cocktail napkin to the biggest international event of the Atlanta games: meet the Laser, the world's most popular single-handed boat, now providing the fiercest competition in the Olympic regatta.

Sailors from 56 countries are racing in the debut of the Laser class in the Olympic regatta, close to Savannah. It is the biggest entry ever in Olympic sailing, and IOC officials believe it is probably the largest number of countries ever to compete in a single discipline.

In the past Olympic class dinghies were thought to be tricky, expensive boats sailed by elite sailors. Until the 1996 Games, that is. Write a cheque for \$2,500 and a Laser is yours, identical to those racing in the Olympics this week.

Over its 25-year history, more than 185,000 have been sold. They are raced in 113 different countries, making the Laser the people's boat. Canadian yacht designer Bruce Kirby never dreamt what he was sketched the rough lines of his 3.5m cockleshell



Argentina's Santiago Lange sails his Laser in his third race off Savannah. He came fifth

on a cocktail napkin one night over dinner back in the late 1960s. Kirby was afloat on Wassaw Sound to witness the first Laser class Olympic race. "This is just marvellous," he said as over 50 of his babies jostled for space at the starting line. "I've been to three Olympics but this moment has got a place in my heart."

Adopting the Laser, cheap and accessible, for Olympic competition may prove a defining moment for sailing. The IOC had been putting pressure on the International Yacht Racing Union to open up the sport to less affluent participants.

"The city likes to brag, its emblem is a Phoenix rising out of the ashes. Its motto is Resurgens. As far back as last century, Georgians used to comment: 'If Atlanta could suck as hard as she blows, it could be a seaport too.'"

The problem, though, is Atlanta's achievements do not mask its underlying malaise. Atlanta is ranked second in the US in terms of poverty, with nearly 30 per cent of residents living below the headline.

The city has also been ranked number one in the nation for crime, no mean feat given competition from cities such as Cleveland and Detroit. In recent years many whites have moved out

to the suburbs, so there is *de facto* segregation in housing, and most of the central city's schools are totally black.

There is a strong black middle-class presence in the city, but there is also a stronger black underclass. Yet Atlanta prospers.

The Olympics have introduced visitors to many of the problems surrounding serious issues of race and poverty here. This city has accommodated both Martin Luther King Jr and the Ku Klux Klan. It is the fictional home of both *Gone with the Wind* and *Driving Miss Daisy*. Fundamentally insecure about its history, Atlanta has always sought to create for herself an alternative history in a vainglorious attempt to obscure the realities on her own doorstep.

By Saturday morning this group's name had taken on a chilling significance, and Atlanta was coming to terms with a new American problem: terrorism.

Each rounding mark was an aquatic knife-fight, with dozens of boats within feet of each other jostling for space.

Kirby watched the whole thing from a committee boat, grinning from ear to ear. Royalties from Laser sales have made him wealthy but he still lives modestly in Connecticut, designing new boats and going racing whenever he can.

ATLANTA DIGEST

Syria hails first gold medallist

President Hafez al-Assad congratulated Syria's first Olympic champion, Ghada Shouaa, yesterday as the country celebrated her win in the women's heptathlon. Mr Assad sent her a message saying: "You have boosted the name of Syria and your glorious victory shows that nothing is impossible with an iron will and continuous training."

Shouaa, who won the world championship last year, said in an interview with Syrian television: "I feel like it is my country Syria, the Arab world and all Arab women who won."

French gunman hits target

When French 50-metres three position shooter Jean-Pierre Amat took aim in Atlanta, the fate of a small French company hung on the flight of the bullet. Amat hit the target on Saturday, won the gold medal, and brought a gasp of relief from the staff of Manufacture d'Armes des Pyrénées Françaises, which had in the past five years invested FF72m (\$388,000) to develop a special rifle, for him.

The company, which exports 40 per cent of its production, has run into severe problems after sudden changes in European legislation restricted the use of rifles. "This gold medal opens the gate wider to exports," Mr Jose Uria, company manager, said.

Top seed Seles knocked out

Women's tennis top seed Monica Seles, representing the US, was knocked out of the Olympic singles tournament yesterday, beaten 7-5, 3-6, 8-4 by Jana Novotna of the Czech Republic in the quarter-finals.

Results of the Olympic regatta

Advertisement for IBM with Olympic logo and text: Worldwide Information Technology Sponsor

Atlanta goes for gold in self-marketing

Caryl Phillips on the city 'too busy to hate'

Even before the dark cloud of Friday night's bomb descended over Atlanta, the city was already struggling to maintain the facade of hosting a successful game. On Friday morning I was in downtown Atlanta when I noticed a young white man, in his mid-20, leaning against a wall. As I walked past he smiled at me and said: "I'll have a nice day now, sir."

He knew that I was a visitor. Around my neck hung a press pass, unofficially known in Atlanta as "mug-nug badges". I assured him I would do my best, and hurried out of the heat and into an air-conditioned mall.

Everybody in Atlanta, from the Atlanta Committee for the Olympic Games to the average citizen, is trying hard to make the 15th visitors feel welcome. Nothing wrong with that, except sometimes the effort appears manufactured, and it is a one to ask uncomfortable questions about just what lies behind this wild bonhomie. The

COMPANIES AND FINANCE: UK

Henderson to head Dalgety

By Ross Timan

Sir Denis Henderson has been chosen as the new non-executive chairman of Dalgety, the food group, as it seeks to overcome the turmoil in Britain's beef industry and make a success of its drive to become Europe's second-biggest pet food producer.

Mr Henderson, also 63, and who chairs The Rank Organisation, has promised to stay for at least three years. His appointment comes as the company's focus since he was last a non-executive director, between 1981 and 1987.

Mr Warren has streamlined Dalgety since he became chief executive in 1989. He sold the trouble-prone commodities trading business and set out to build leading positions in pet food, food ingredients, animal feeds and pig breeding, and food distribution. His transformation of the group is widely acknowledged.

Now Dalgety claims a 22 per cent share of the European pet foods market, second to Mars, with 40 per cent. But the consequent rise in borrowings, which pushed year-end gearing to 149 per cent, coincided with discovery of suspected links between Bovine Spongiform

Learmonth & Burchett warning

By Paul Taylor

Shares in Learmonth and Burchett Management Systems tumbled yesterday after the USM and Nasdaq-listed software tools supplier issued its second profit warning in six months.

It said it expected to post a net loss of \$3m (£1.5m) or 12 cents a share on turnover of \$5.8m in the first quarter to July 31. Shares in the group closed down 20p at 85p. In November, Mr Rainer Burchett, chairman, and Mr Roger Learmonth, chief executive, sold shares worth \$11.5m (£7.2m) at \$5 a share as part of the group's US public offering on Nasdaq.



Hats off to a strong performance: Peter Lewis (left) and George Burnett, managing director

Ashtead climbs to £16.8m

By Simon Küper

Ashtead, the equipment hire group, said sales had risen by well over 50 per cent in the two months since the year-end. While the growth was organic, half the profit stemmed from acquisitions.

The group was reporting results which showed it bucking the sector's trend with pre-tax profits 24 per cent ahead at £16.8m (\$26.2m) for the year to April 30. Sales rose 42 per cent to \$36.5m.

Ashtead called the UK market "difficult". Mr Peter Lewis, chairman, said hire rates in Britain had rebounded by about 2 per cent since the year-end, after falling 5 to 10 per cent last year.

rose 26 per cent to £14.1m, while in the US plant hire business they increased almost two and a half times to £4.4m. Operating profits in the survey and inspection hire division were up 17 per cent to \$3m. Capital spending rose 57 per cent to \$51m.

RESULTS

Table with 12 columns: Company, Period, Revenue, Profit, EPS, Dividend, Date of payment, etc. Lists results for various companies including Ashtead, BSA, and others.

RANDGOLD

SUMMARY OF GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 JUNE 1996

Table for Blyvooruitzicht Gold Mining Company Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

Table for East Rand Proprietary Mines Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

Table for Durban Roodepoort Deep Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

Table for Harmony Gold Mining Company Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

Table for The Grootvlei Proprietary Mines Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

Table for Unisel Gold Mining Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

Table for Stilfontein Gold Mining Company Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

Table for Buffelsfontein Gold Mining Company Limited. Financial results (R000's) for 30/6/96, 31/3/96, and 30/6/95. Includes working profit and profit after taxation.

NOTES: Dividends: No dividends to ordinary shareholders have been declared for the three months ended 30 June 1996.



The Board of Directors of Club Méditerranée met today under the chairmanship of Serge Trigano to review the financial results for the six months ended 30 April 1996 and the business outlook for the rest of the fiscal year.

The first half of fiscal 1996 saw an increase in consolidated net profit to FRF 88 million and a decline in operating profit, primarily attributable to the Club's European business.

Table showing financial results for Club Med in millions of French francs for 30 April 1996 and 30 April 1995. Columns include Turnover, Operating profit, Net interest expense, etc.

Much of the decline in turnover resulted from the divestment of Moeva, which accounted for FRF 217 million in fiscal first-half 1995 turnover.

The deconsolidation of Moeva also reduced operating profit, by FRF 13 million, but most of the decline in this item was due to the Europe-Africa region.

The decline minority interests resulted from the buyback of minority interests in Club Med Inc.

During fiscal 1996, the rights issue, the fact that 67.2% of shareholders elected to reinvest their dividends, and the exercise of options increased the company's share capital to FRF 343.3 million and raised shareholder's funds to FRF 4.3 billion.

Margined Currency Dealing advertisement for Laurion, featuring flexible managed accounts, limited liability guarantee, and lowest margin deposits.

Advertisement for Banque Nationale de Paris, offering a floating rate due 1997 with applicable interest rate of 5.575% per annum.

Advertisement for European Investment Bank, offering US\$250,000,000 floating rate notes due January 2003, secured by Sharp Finance Netherlands.

WWF advertisement in Indonesian: 'IN INDONESIA WE PROTECT THE RAINFOREST WITH FISH. WWF project has reached an over a hundred fish ponds...'

FT Credit Ratings International advertisement, describing a unique quarterly source of reference from FT Financial Publishing, essential to all players in the international credit markets.

مركزنا من الأصيل

COMPANIES AND FINANCE: UK

Lossmaking Crosby sold to Canadians but group restructuring taking longer than expected

Spring Ram warns of £9.8m interim losses

By Jane Martinson

Spring Ram, the kitchens, bathrooms and furniture group, yesterday warned that interim pre-exceptional losses could be £9.8m (£15.5m) in spite of the sale of its lossmaking door and window manufacturing business.

from a £2m profit to a loss of £12m after the group warned of harsh trading conditions and a restructuring which was taking longer than expected. Almost half of the interim loss - £4.8m - relates to Crosby, the door business which was sold to Premdor Group yesterday for a provisional consideration of £12.5m cash.

Premdor, a Canadian door maker, will also assume net debt of £9.8m under the deal. Spring Ram will use the proceeds to cut its £60m net debt by £22m, reducing gearing to about 45 per cent. The disposal will lead to an exceptional loss of about £6.5m.

Spring Ram said trading conditions had been harsher in the six months to June 29 than the same time last year. However, the kitchens and bathrooms division had improved over the loss incurred in last year's second half and the margin decline had been reversed.

Mr Martin Towers, finance director, said the group's rationalisation, which had cut 800 jobs, was taking longer than expected. He said "a slow progressive improvement in the housing market" should return the group to profitability next year.

The group made a loss of £43.6m last year which included a £20.8m exceptional charge related to the rationalisation. Its sale of Crosby is part of a strategy announced in March to focus on its kitchens and bathrooms division. One analyst welcomed the disposal saying: "This group has too many irons in the fire, too many businesses and too much to do." The group will retain 20 per cent of Crosby, which is to be renamed Nylewood.

Bass confirms Carlsberg-Tetley discussions

By David Stockwell

Bass and Allied Domecq yesterday responded to months of speculation by confirming they were discussing a merger of the UK brewing interests of Bass and Carlsberg, the Danish brewer.

Both Bass and Allied issued terse statements to the Stock Exchange after widespread speculation on the future of Carlsberg-Tetley, the joint venture between Allied and Carlsberg, over the weekend. The price of the deal, which could be announced this week, is understood to be about £300m (£312m).

Bass said it had "noted weekend press reports regarding Carlsberg Tetley and confirms that it is in discussions with both Allied Domecq and Carlsberg regarding the possible purchase of Allied's 50 per cent interest in Carlsberg-Tetley".

Both Bass and Carlsberg are trying to find a way to minimise Bass's market share. Otherwise it will have to shed brands and pubs in order to satisfy the Office of Fair Trading and to avoid a referral to the Monopolies and Mergers Commission.

Using the Scottish & Newcastle Courage deal as a benchmark, Bass would have to shed more than 1,000 pubs - approaching a fifth of its estate - if the merger gave it a market share approaching 40 per cent.

Scottish Courage, which now has about 30 per cent of the UK market, is believed to be poised to go back to the OFT to seek renegotiations on some of its own undertakings last summer if the Bass deal goes ahead.

Porvair shares tumble after warning on profits

By Jane Martinson

Porvair, the synthetic materials manufacturer, yesterday warned that full-year profits would be lower than expected after a difficult first half.

"There is nothing of any substance wrong with the group," he said. "This has been a temporary hiccup." The group intends to focus on selling the division's high margin products - membranes which are added to leather to increase breathability - in fast growing manufacturing markets such as Brazil, China and Indonesia.



The shares plunged 7 1/2 to 334p as analysts cut their full-year profits forecasts. Beeson Gregory, the house broker, shaved almost £1m from its pre-tax prediction to £7.1m (£11.1m).

The other five divisions showed improvements. Acquisitions helped lift total sales 63 per cent to £24.5m in the six months to May 31. Operating profits jumped 86 per cent to £1.98m (£1.28m) while the pre-tax line rose 22 per cent from £1.28m to £1.54m.

weakness in the aluminium cast shop market and a raw material shortage.

Difficulties in the US and continental European retail markets and the loss of a large customer at Porvair International, which contributes one third of group sales, prompted the downturn.

However, the performance of Sele Corporation, a manufacturer of ceramic filtration products bought last July for up to \$37.5m (£24.2m), was worse than anticipated following

Earnings per share fell 24 per cent to 4.1p from an adjusted 5.4p following last year's rights issue. The interim dividend is 1.5p (1.8p).

Megalomedia's £7m Framestore deal

By Jane Martinson

Megalomedia, the new media group in which Mr Maurice Sazdovitch and his wife have a 19 per cent stake, yesterday took full control of a company that specialises in digital visual effects for television and advertising, for a total cost of about £7m (£10.9m).

me store, will become a Megalomedia board director. Framestore shareholders will be left with a stake of almost 14 per cent in Megalomedia.

Megalomedia, which already owns almost 40 per cent of Soho-based Framestore, is to pay for the remainder of the company with a mixture of cash, loans and shares.

Mr Sazdovitch, chairman, said the takeover would enable the group to "capitalise on a dynamic sector". Although most of Framestore's revenue is derived from commercials, recent productions have included GoldenEye, the latest James Bond film, and The Legend of Pinocchio, a new US release.

The five executive directors of Framestore will be the chief beneficiaries of the deal as they own about 50 per cent of total issued share capital of the company. Half is set to go to Mr William Sargent, commercial director, and Ms Sharon Reed, managing director, the co-founders.

Further options awarded to the directors bring the total amount to about £7m. Megalomedia made pre-tax profits of £209,000 on sales of £1.84m in the year to March 31.

24% rise at ISA in first half

By Justin Marozzi

Concentration on high-margin government and corporate markets helped ISA International, the computer consumables distributor, report a 24 per cent rise in interim pre-tax profits.

The increase from £2.96m to £3.7m (£5.8m) in the first half of 1996 came on turnover ahead 15 per cent to £122.3m.

The group, which sells products such as floppy disks and toner cartridges for printers, is Europe's largest distributor of computer consumables with about 6 per cent of the market.

Allied, in a similar statement, said a further announcement would be made as soon as possible. Analysts yesterday welcomed the confirmation. "It's good that it is finally all in the open," said one. The deal would prove good for the brewing industry, helping to shift the balance of power away from larger beer retailers such as Greenalls and Wetherspoons.

Mr Peter Hildrew, who joined as chief executive in May, said the group would retain its focus on developing the end-user market where profit margins of 26 per cent were more than double those for the dealer and retail sectors.

However, another analyst cautioned that it was "far from a done deal - it does not appear yet to have regulatory approval".

Costain stake buyer confirmed

By Andrew Taylor, Construction Correspondent

Intria of Malaysia was yesterday confirmed as the purchaser of a 40 per cent stake in Costain under the terms of the UK construction group's £73.6m (£114.8m) rescue share issue.

43.5 per cent of the company. Costain's bankers which also had underwritten the issue are expected to be left with a 2.3 per cent stake.

of a refinancing package designed to transform the finances of Costain, which at the end of last year had net debt of £76m and negative shareholders' funds of £28m.

One surprise was that Kharafi, the Kuwait construction group which had opposed the offer for sale, took up its rights maintaining its stake in Costain at 19.1 per cent.

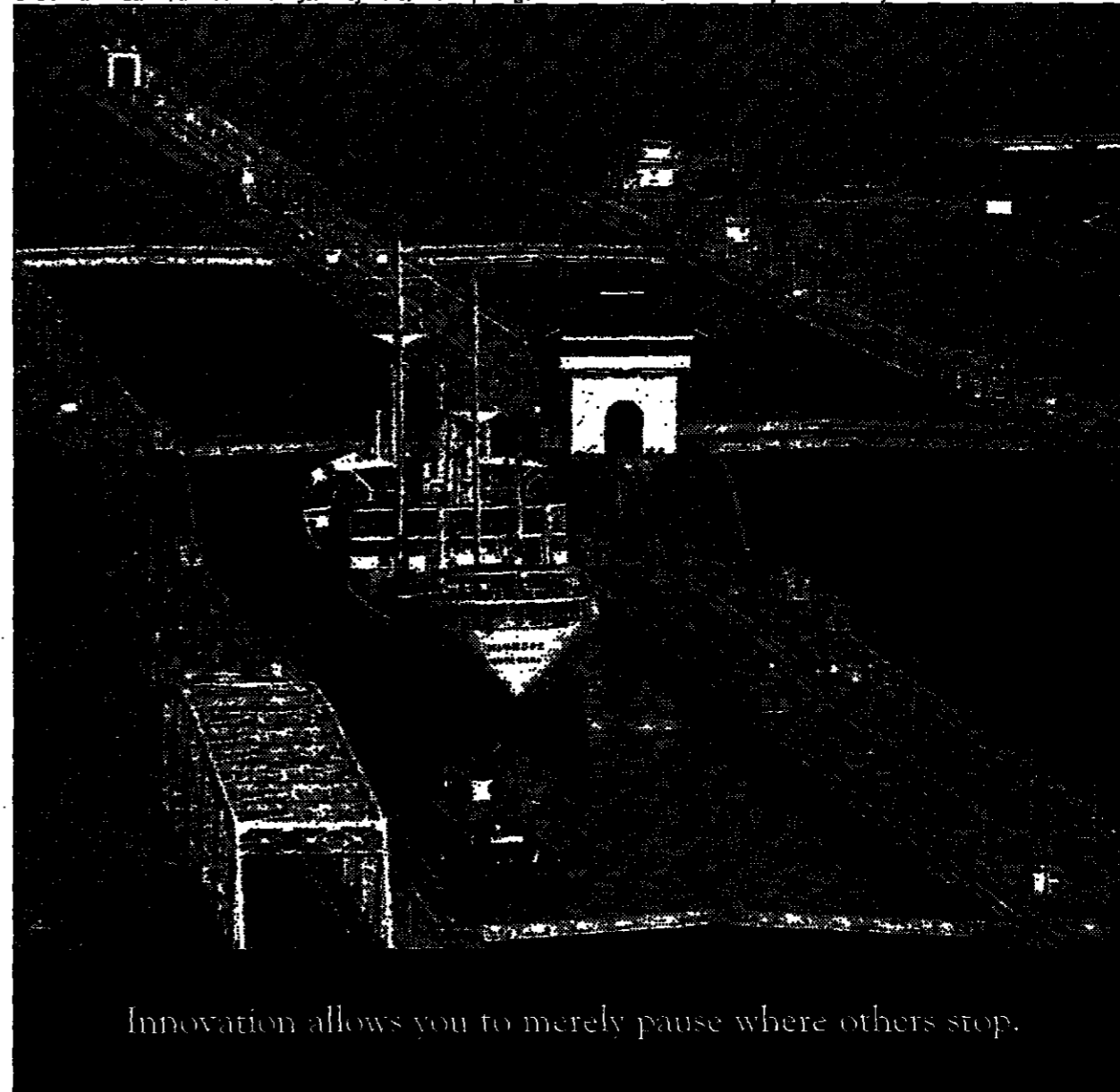
Raymond International, a Saudi Arabia-based construction group, saw its holding fall from just over 19 per cent to 12.1 per cent. Existing shareholders had been offered three new shares at 50p each for every one already owned.

The company also intends to sell its remaining US coal interest and its international pipeline business. Following the share issue and the disposals, it expects to be left with £20m net cash and shareholders' funds of £42m. The sales had been expected to raise almost £20m, but Costain received a setback last week when Lomrho, the UK conglomerate, withdrew from its planned purchase of the coal business.

Intria bought its holding as the main underwriter of the issue, which was taken up by existing shareholders owning

Costain expects to increase its opportunities for work in Malaysia, as a result of its new relationship with Intria which will occupy 4 out of 10 seats on the UK construction group's board. The share issue is part

The Panama Canal, an innovative system of locks, allows passage between the Atlantic and Pacific Oceans to facilitate trade.



Innovation allows you to merely pause where others stop.

GLOBAL BOND ISSUES

Philippine Long Distance Telephone Company
\$500,000,000

1994 Senior Notes due 2004
1995 Senior Notes due 2002
1995 Senior Notes due 2005

A Bankers Trust

In a culture that prizes innovation, the biggest challenges become the greatest opportunities. Philippine Long Distance Telephone Company's desire to bring state-of-the-art technological innovations to its service area was met by a seemingly impassable obstacle: the challenge of raising large-scale capital in market conditions that had turned skittish towards all developing nations. Together, we designed a first-of-its-kind creative solution. Based on substantive knowledge of the industry, local and global insights about the region, and the resources and credibility of our full-service worldwide network, we structured the first ever Global Bond offering by a Philippine issuer, and the first such registered with the SEC in the U.S. Then we worked collaboratively with PLDT to effectively market this breakthrough offering. Based on this initial achievement, we successfully marketed their two-tranche bond the following year. The ingenuity displayed by both partners throughout this relationship so impressed the financial community that we were awarded "Deal of the Year" by two publications: *Corporate Finance*, for two years running, and *Asiamoney*. We welcome the opportunity to discuss how we can develop equally innovative solutions to your financial challenges.

Bankers Trust
Architects of Value

This announcement appears as a matter of record only.

NEW ISSUE JUNE 1996

BRAD LIMITED
(Incorporated with limited liability in the Cayman Islands)

CHF50,000,000

9% Secured Notes Due 2006

(secured by U.S. \$50,000,000 in principal amount of Federative Republic of Brazil Eligible Interest Bonds due 2006 (Series L))

Managers

Republic National Bank Republic New York (U.K.)
Republic National Bank of New York Republic New York (U.K.) Limited
(Swiss) S.A.

The swap transaction was provided by Republic National Bank of New York

This announcement appears as a matter of record only.

NEW ISSUE JUNE 1996

BRAD LIMITED
(Incorporated with limited liability in the Cayman Islands)

DEM50,000,000

11% Secured Notes Due 2006

(secured by U.S. \$40,500,000 in principal amount of Federative Republic of Brazil Eligible Interest Bonds due 2006 (Series L))

Managers

NOMURA Republic New York (U.K.)
NOMURA BANK Republic New York (U.K.) Limited
(Deutschland) GmbH

The swap transaction was provided by Republic National Bank of New York

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Learnmore & Burchett
warning

16.8m

IT RATINGS

INTERNATIONAL CAPITAL MARKETS

Italian BTPs slip in quiet European trading

By Samer Iskandar and Mark Ashurst in London and Lisa Branstetter in New York

Italian divergence continued unabated for the third consecutive day yesterday, the 10-year yield spread of BTPs over bunds widening by 8 basis points to 320.

In Parliament - about health-care costs - did not help either. Analysts at J.P. Morgan pointed out a "decline in investors' appetite for risk".

GOVERNMENT BONDS

UK gilts were virtually at a standstill yesterday, due to uncertainty ahead of today's monthly monetary policy meeting between the chancellor of the exchequer and the governor of the Bank of England.

German bunds ended a quiet session slightly lower. Life's September bund future settled at 96.81, down 0.26.

Traders expect the German market to continue outperforming peripheral European bonds in the short term, as it continues to benefit from its safe-haven status against the ambient uncertainty.

US Treasury prices slipped in early trading but remained within their recent range yesterday as investors braced for a wave of important data due out later this week.

Year-to-date the benchmark 10-year Treasury was 1/2 weaker at 8 1/8% to yield 7.052 per cent. At the short end of the maturity spectrum, the two-year note slipped 1/4 at 9 1/4%, yielding 6.301 per cent, while the September 30-year bond fell 1/4 to 10 1/4%.

curve held steady at 7 1/2 basis points.

There was little in the way of data released yesterday, but several key figures are due out this week starting today and finishing with the July employment figures expected on Friday.

Investors remain divided about whether the Federal Reserve will raise interest rates in August and a strong report on July job creation could upset the markets by raising fears of a rate increase.

Foreign interest in the UK gilts market recovered last month as sales to overseas investors surged to £700m, more than 80 times the figure for May.

The June figures - coming in the wake of April's sales to overseas buyers of £1.4bn, the highest level to date this year - confirm the reversal of last year's trend of falling overseas sales.

The proportion of outstanding bonds held by overseas funds fell from 18 per cent to 14.4 per cent, according to Nikko Europe. March and November are now the only interruptions in a year's run of foreign purchases of UK gilts.

Foreign investors regain taste for UK gilts

By Mark Ashurst

Foreign interest in the UK gilts market recovered last month as sales to overseas investors surged to £700m, more than 80 times the figure for May.

Latin American sector shakes off Argentine jitters

By Peter John

Calm returned to Latin American debt markets yesterday, following Friday's upbeat, which was inspired by the sacking of Argentina's economy minister.

Elsewhere, the story was generally the same, although Brazil, Argentina's principal trading partner, slipped back with its par bonds down 1/4 at 53.750 in late London dealing.

Mexico sets record with \$6bn issue of FRNs

By Conner Middelmann

Mexico made history yesterday by issuing the largest single-tranche sovereign eurobond - \$6bn of floating-rate notes - in a heavily oversubscribed offering.

The issue was increased from the originally planned \$3bn offering due to overwhelming demand from investors attracted by the bonds' 7.5 per cent coupon.

Together with \$2bn from previous fund raisings, the Mexican government plans to use the proceeds of the offering to pay back, in advance, \$7bn of the \$10.5bn it still owes the US Treasury and \$1bn to the Inter-

national Monetary Fund in August. The funds were lent to Mexico during the peso crisis in late 1994 to help stave off the collapse of the economy.

Apart from confirming Mexico's rehabilitation in the capital markets, the issue will also significantly reduce the country's interest burden. While Mexico paid more than 10 per cent interest on some of its US Treasury debt, its cost for the FRN is 7.6 per cent.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for United Mexican States, Argentina, and Eurozone.

Final terms, non-callable unless stated. Yield based on gov bond at launch supplied by lead manager. Floating-rate notes: 6-month annual coupon. If based on offer price, fees shown at 100% level. Call date on any coupon date at par. American in 13 equal payments from Aug 1998. Average life: 5.2 yrs. 100% 100% 100%.

ordinated floating-rate bonds yielding 2 1/2 basis points over Libor at the re-offer price.

That margin was wider than the 25-basis-point spread it paid on a similar issue in 1994, before Bankers Trust was dogged by legal action over derivatives losses by some of its clients, the most high-profile claim coming from Procter & Gamble.

the market, said an official at Deutsche Morgan Grenfell. In the D-Mark sector, Dean Witter Discover issued DM300m of floating-rate notes, following the success of two D-Mark bank bonds last week.

WORLD BOND PRICES

Table of benchmark government bonds for Australia, Belgium, Canada, Denmark, Germany, France, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

US INTEREST RATES

Table showing Treasury Bill and Bond Yields for various maturities.

BOND FUTURES AND OPTIONS

Table of notional French bond futures and options (MATIF) for various maturities.

UK GILTS PRICES

Table of UK Gilts prices for various maturities including 2 1/2%, 3%, 3 1/2%, 4%, 4 1/2%, 5%, 6%, 7%, 8%, 9%, and 10%.

FT-ACTUARIES FIXED INTEREST INDICES

Table of FT-Actuaries Fixed Interest Indices for various maturities and currencies.

FT/ISMA INTERNATIONAL BOND SERVICE

Table of FT/ISMA International Bond Service listing various international bonds with details on issuer, amount, coupon, price, maturity, and yield.

FT-FIXED INTEREST INDICES

Table of FT-Fixed Interest Indices for various maturities and currencies.

UK NATIONAL GILTS FUTURES

Table of UK National Gilts Futures for various maturities.

OTHER FIXED INTEREST

Table of Other Fixed Interest instruments including various international bonds.

EMERGING MARKETS

nothing a few years later. However, emerging markets specialists, who had braced themselves for a busy day of Argentine analysis yesterday, found themselves unprepared.

UK NATIONAL GILTS FUTURES

Table of UK National Gilts Futures for various maturities.

FT-FIXED INTEREST INDICES

Table of FT-Fixed Interest Indices for various maturities and currencies.

GILT EDGED ACTIVITY INDICES

Table of Gilt Edged Activity Indices for various maturities.

FT/ISMA INTERNATIONAL BOND SERVICE

Table of FT/ISMA International Bond Service listing various international bonds.

CONVERTIBLE BONDS

Table of Convertible Bonds listing various convertible securities.

دکتر امت الاحول

MARKETS REPORT

Dollar idles ahead of busy US data schedule

By Philip Gawth

Foreign exchange markets experienced a very quiet day yesterday with most participants preferring to keep their powder dry ahead of a string of important US data releases this week.

In European rates, the lira remained at its weaker level, closing at L1.030 against the D-Mark from L1.031.

Japanese industrial output in June, which allowed firms that interest rates might be about to rise in that country, which would put pressure on the dollar.

The other concerned comments from Mr Franz-Christoph Zeidler, a Bundesbank council member. He said that the bank would be able to look at room for a repo rate cut if the M3 money supply figure moved towards its target.

Some central bank support for the dollar. "The G-7 will do its bit to fight against a stronger dollar because of the negative implications for world economic growth."

Investors have been concerned that the slowdown in export growth and lower growth projections, might prompt the government to devalue the currency to boost exports.

There was little movement in the employment cost index, a vouching indicator at present, released today, and if it is on the strong side, this could well drive asset markets and the dollar lower.

The pound was steady, with the trade weighted index finishing at 85.1, from 85.0.

There was some concern last week that the Bundesbank's decision to leave its repo rate unchanged, when many were expecting a cut, testified to an indifference to the value of the dollar.

Mr Brian Martin, economist at Barclays in London, said he was not optimistic about the dollar making progress from current levels.

He raised the prospect of a coordinated move in interest rates - the US raising rates and Germany cutting them - in late August, and possibly

Rumours that the Thai baht might devalue were denied by a Bank of Thailand official on the weekend, but there is some expectation of a change to the currency regime later this year, perhaps in the form of



POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, Bank of England index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, J.P. Morgan index.

CROSS RATES AND DERIVATIVES

Table with columns: Country, Bid, Offer, DM 125,000 per DM.

EXCHANGE CROSS RATES

Table with columns: Country, Bid, Offer, DM 125,000 per DM.

UK INTEREST RATES

Table with columns: Term, Rate, Bid, Offer.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Rate, Change, % spread, Div.

BASE LENDING RATES

Table with columns: Institution, Rate, %.

NON ECU MEMBERS

Table with columns: Country, Rate, % spread, Div.

SHORT STERLING OPTIONS (LFFE) £500,000 points of 100%

Table with columns: Strike, Price, Calls, Puts.

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Table with columns: Open, Last, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO CURRENCY FUTURES (LFFE) DM1m points of 100%

Table with columns: Open, Last, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO CURRENCY FUTURES (LFFE) SF1m points of 100%

Table with columns: Open, Last, Change, High, Low, Est. vol, Open int.

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Table with columns: Open, Last, Change, High, Low, Est. vol, Open int.

WORLD INTEREST RATES

Table with columns: Country, Over, One month, Three months, Six months, One year, Lomb. inter., Dis. rate, Repo rate.

EURO CURRENCY INTEREST RATES

Table with columns: Country, Short term, 7 days, One month, Three months, Six months, One year.

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Table with columns: Open, Last, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO CURRENCY FUTURES (LFFE) DM1m points of 100%

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NOTICE TO BONDHOLDERS \$90,000 U-Ming Marine Transport Corporation 1.5 per cent Bonds due 2001

GREEK PUBLIC ESTATE CORPORATION Call for Offers CONCERNING THE ACQUISITION OF A BUILDING FOR THE GREEK MINISTRY FOR PHYSICAL PLANNING, ENVIRONMENT & PUBLIC WORKS IN ATHENS GREECE

The CO-OPERATIVE BANK £75,000,000 Subordinated Floating Rate Notes 2000

DAEHAN BLUE-CHIP INDEX TRUST International Depository Receipts Evidencing Beneficial Certificates representing 1,900 units

COMMODITIES AND AGRICULTURE

Gold gap is 'economic rubbish' says analyst

By Kenneth Gooding, Mining Correspondent

The concept that there is a growing 'gap' between conventional gold supply and demand - frequently used by gold bulls to explain why the price inevitably must go up sharply and soon - is 'economic rubbish', according to Mr Ted Arnold, metals specialist at the Merrill Lynch investment group.

Some analysts speak of the gap or deficit between conventional supply (newly mined metal and scrap) and demand as having risen from only 150 tonnes a few years ago to about 700 tonnes last year.

Mr Arnold, in a Precious Metals Special, insists the 'gold must go up because of the growing gap' argument is flawed for two important reasons: it assumes there is little or no supply response from stocks of gold and it assumes little or no demand response to higher prices.

He points out that stocks of gold - excluding the 36,000 tonnes held by central banks and other official institutions - total about 85,000 tonnes and this gold increasingly is held by consumers in the form of bracelets, rings and necklaces.

These holders are very price sensitive. When gold prices rise rapidly they turn sellers very quickly. 'The supply response is amazingly swift if the price is right. In 1993 over 500 tonnes of gold scrap (melted down jewellery) came out of the Middle East and into European refineries in a matter of weeks.'

He stresses that the structure of the physical gold market has evolved in a way that massively reinforces price sensitivity because jewellery's share of total gold fabrication has risen from 50 per cent in 1990 to more than 65 per cent today.

Also, last year developing markets, which are more price sensitive, accounted for two thirds of jewellery off-take against only one third in 1979-80.

Mr Arnold says organisations that analyse the global gold market should not attempt to make their supply and demand statistics balance. 'It is an impossible task to try to count the last tonne. Too much physical gold vanishes into the paper market to make supply-demand balances meaningful. This gold is held against option positions, warrants and so on and is never ever counted or caught in any statistical analysis we have seen.'

'When there is the stealing of gold in mining areas, Genor (the South African mining group) recently revealed that

between 5 and 10 per cent of South African gold output goes missing. We would think that similar figures apply in the rest of Africa and in South America. [That indicates] there are a few hundred tonnes already unaccounted for but in the system.'

Mr Arnold says there is also a great deal of physical gold tied up inside the international bullion market itself, held by banks and dealers and large institutional or private investors. This excludes all the gold being lent to the market by central banks.

As for the gold price, he suggests it is likely to trade between US\$370 and \$400 a troy ounce for the next 24 months. Below \$370, Asian, Middle Eastern and Indian buyers seek gold as 'good value' and buy physical. Any price move above \$400 would be 'brief and unsustainable' because of the massive supply response it would produce.

This view is shared by other analysts who say there has not been much disinvestment selling in the present 'bull' market, partly because 'to judge from the comments of some of our clients in the Middle East and Hong Kong, the magic London fixing price number they are waiting for is \$520 and above. This view is good enough for us and is why we keep \$400 as the very top of our gold trading range.'

The irony was inescapable, as yet another heavy treaty on environmental, industrial, or agricultural sustainability thumped on to my door-mat - probably the 10th in as many months. How many acres of rain forest had it taken to provide the paper? I asked myself, and how much energy had been expended on preparation, printing and distribution?

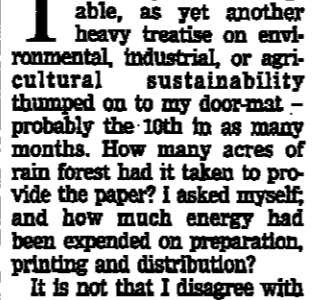
It is not that I disagree with much of the content of some of the reports - from the government, from environmental charities, from county councils and so on. Indeed, I claim to be at least as conscious of the need for sustainability and as keen to do something about it as most people. But the weight of the communications and the repetitiveness of much of what they say seems to me at best wasteful and at worst possibly counter-productive. While most of the mass of organisations and authorities responsible are happy to lecture the rest of us on how we should change our behaviour, few seem able or willing to put much money where their mouths are.

Exhortation is fine as far as it goes; but it will take real cash - or the threat of less of it - together with commitment to bring about the improvements that such agencies seek and that we all owe to generations yet unborn.

It was refreshing, therefore,

Sainsbury takes sustainability into the field Exhortation is fine as far as it goes, but it takes cash to bring real benefits

FARMER'S VIEWPOINT



By David Richardson

I sat in recently on a meeting called by Sainsbury - one of the companies most regularly criticised for alleged lack of sustainability in its distribution system to its 300 supermarkets around the country.

The meeting was called specifically to help inform overseas suppliers of specialist fruit and vegetables to Sainsbury of the production standards it now expects of them; standards that it is preparing to impose on all its suppliers, at home and abroad. In due course, the message implied, if present suppliers were unable to comply with the rules, they would no longer be eligible to supply to Sainsbury, even at the risk that the retailer ran out of produce. In other words, compliance would bring financial reward and failure to comply potential financial penalties for both Sainsbury and its suppliers.

Invited to the lecture theatre

of Sainsbury's London head office was the trade or agriculture representative of over 20 countries. There, they were informed about the Integrated Crop Management System, which the company developed and began to impose in the UK some five years ago. Its objectives then, as now, are summarised as 'to conserve and enhance the environment for wild life and people, while producing quality crops of economic yield, through responsible crop management using the best practices available.'

Clearly, such objectives are open to interpretation and are supported more closely defined by visits to supplying farms by Sainsbury inspectors. They check entire production systems; that staff are adequately trained; that managers are aware of the risks to products and the environment of crop diseases and their treatment; and that they are equipped for informed decision-taking and accurate application of any materials used for disease or pest control. Where appropriate, as with most greenhouse crops, ICMS and its related technology, Integrated Pest Management, involves the almost exclusive use of biological (bug eating bug) control agents.

Sainsbury, along with most other major supermarket chains, has also been a member of the world-breaking NFU-Retailer Partnership set up a few years ago. For the first time ever, it brought together and united growers and competing retailers around one table and ultimately around one policy. Using the principles of Integrated Crop Management as its guide, the partnership has now written and agreed detailed production protocols for about 30 vegetable and fruit crops. These have been accepted by the retailers and adopted as standard by most UK suppliers to them.

In short, a great deal has already been achieved. According to Sainsbury, these activities led in 1995 to 77 per cent of all the British-grown fresh produce sold in its stores being produced to ICMS standards. By the end of this year, that figure is expected to be 86 per cent. Of the fresh produce Sainsbury imported in 1995 around 31 per cent in 1995 was grown to ICMS standards; and by the end of 1998 the figure is forecast to rise to 80 per cent. The target is that all fresh produce sold by Sainsbury, whether home-grown or imported, should be produced to those standards. And although the company declined to name a specific date by which this should be achieved, the title of the project, 'Vision 2000', may provide a clue.

Some of the embassy staff,

especially those from other European Union countries and the US, who attended the Sainsbury meeting were familiar with ICMS and its implications. There are similar initiatives by food retailers and/or governments in many of those countries. Others, however, from less developed countries but for whom exports to companies like Sainsbury are even more important, were hearing of it for the first time. All appeared to take it very seriously and said they would communicate the details to their agriculture departments.

Sainsbury, meanwhile, is promoting training programmes in key producing countries to speed the culture change that ICMS represents. Last September, for instance, 'Project Alicia' was launched for the benefit of key Canary Islands suppliers of tomatoes, cucumbers and peppers. The project is a readily implemented system combining self-audited verification, analysis and review of achievement of ICMS. Reports suggest the introduction of the system has not only improved the safety and sustainability of production but also enabled growers to save costs.

Soundly-based, practical and commercial initiatives like this will have far more effect on the future of the world than a host of repetitive reports, however worthy their intentions.

Theft at South African mines 'increasingly troublesome'

Gold theft was becoming a problem at Randgold and Exploration Company mines and needed to be addressed drastically, the group said yesterday, reports Reuters from Johannesburg.

Speaking at the June quarter gold mining results presentation, Randgold chairman Mr Peter Flack said: 'Something which is becoming increasingly troublesome for us is gold theft.'

He said thefts had recently been uncovered at Buffelsfontein Gold Mining Company and at East Rand Proprietary Mines. 'Those are ones we know about... We've got to place increasing emphasis on this issue.'

East Rand Proprietary Mines produced 1,760kg of gold from underground mining in the April-June quarter, compared with 1,650kg in the January-March quarter, and 343kg from surface mining compared with 374kg.

The Buffelsfontein Gold Mining Company produced 1,877kg of gold from underground, compared with 1,048kg in the previous quarter, and 405kg from the surface, compared with 360kg.

World grain stocks seen remaining tight next year

By Alison Meikland

Forecasts for world grain stocks next year remain tight despite better wheat harvest predictions for the US, the world's dominant producer. The London-based International Grains Council, in its July report, has increased its forecast of wheat stocks at the end of the 1996-97 season to 98m tonnes from 96m tonnes last month.

But it has revised down its

prediction for coarse grain stocks to 97m tonnes from 98m tonnes last month.

Projected increases for the US and Chinese wheat harvests have been offset by reductions for the European Union, Hungary, Romania and India, leaving world wheat output 2m tonnes lower than previously forecast at 560m tonnes. This is still 22m tonnes, or 4 per cent, above last year's output of 538m tonnes.

For the US, the council has increased its wheat crop estimate to 65m tonnes compared with last year's 59.5m tonnes. The world production estimate for coarse grains is down by 2m tonnes to 876m tonnes because of a downward revision in Kazakhstan and the US. The US maize crop, sowing of which was delayed by cold and wet weather in the Midwest, is now expected to be 232m tonnes, still well above last year's 187.2m tonnes.

The IGC points out that world coarse grain production would still hit a record, improving on the previous peak of 888m tonnes in 1994, and 10 per cent higher than last year's harvest of 797m tonnes.

An accelerating slide in Australian wheat prices in the past week was expected to lead to the Australian Wheat Board announcing a significant cut in its export wheat pool price late yesterday, reports Reuters from Sydney.

The Australian market was strongly influenced by Chicago's downward trend last week, setting self-reinforcing patterns in expectation of a pool price cut, traders said.

GrainCorp's Mr Guy Allen put the new crop Australian standard white wheat cash price fall at between A\$7 and A\$8 to Friday's close at about A\$168 a tonne.

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Aluminum, Copper, Lead, Zinc), price change, and current price.

PRECIOUS METALS continued

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and current price.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Natural Gas), price change, and current price.

PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and current price.

UNLEADED GASOLINE

Table with columns for gasoline type (Regular, Mid-Grade, Premium), price change, and current price.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Corn, Soybeans), price change, and current price.

SOFTS

Table with columns for soft commodity type (Coffee, Cocoa, Sugar), price change, and current price.

MEAT AND LIVESTOCK

Table with columns for livestock type (Live Cattle, Live Hogs, Pork Bellies), price change, and current price.

LONDON TRADED OPTIONS

Table with columns for option type (Aluminum, Copper, Nickel, Silver), price change, and current price.

LONDON SPOT MARKETS

Table with columns for spot market type (Crude Oil, Heating Oil, Natural Gas), price change, and current price.

FUTURES DATA

Table with columns for futures type (Crude Oil, Heating Oil, Natural Gas), price change, and current price.

VOLUME DATA

Table with columns for volume type (Crude Oil, Heating Oil, Natural Gas), price change, and current price.

INDICES

Table with columns for index type (Reuters, CME, NYSE), price change, and current price.

JOTTER PAD

A grid for a crossword puzzle with numbers indicating starting positions.

CROSSWORD

No.9,133 Set by PHSSHPK

A crossword puzzle grid with numbers 1-31 indicating starting positions.

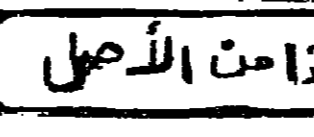
ACROSS

- 1 Empire-holders managed to win medal by striking first (6)
2 Fungal examination of hollow club with gloomy result (6)
3 Scene 1 involved relatives (6)
5 Hit using first the head-up display (4)
6 Result of working at filter? (8)
7 Refer me back to medicine (6)
8 Adder found during this season (6)
9 Empty the trash following appropriate search (7)
10 From here stem personal dispositions (7)
11 Inside story is even told in sections (6)
12 In the father, head back to Rest in Peace, perhaps (7)
13 Burn tea on fire rim of saucer (4)
25 He has organs to transport to a funeral (6)
26 Oases not quite without deception (6)
28 Hit across a seat holding back gutted rat (8)
29 Appetising sugar follows the speciality (8)
31 Leave in a wire tap (6)

DOWN

- 1 Practice 26 across again (8)
2 Fungal examination of hollow club with gloomy result (6)
3 Scene 1 involved relatives (6)
5 Hit using first the head-up display (4)
6 Result of working at filter? (8)
7 Refer me back to medicine (6)
8 Adder found during this season (6)
9 Empty the trash following appropriate search (7)
10 From here stem personal dispositions (7)
11 Inside story is even told in sections (6)
12 In the father, head back to Rest in Peace, perhaps (7)
13 Burn tea on fire rim of saucer (4)
25 He has organs to transport to a funeral (6)
26 Oases not quite without deception (6)
28 Hit across a seat holding back gutted rat (8)
29 Appetising sugar follows the speciality (8)
31 Leave in a wire tap (6)

Solution to Saturday's prize puzzle on Saturday August 10. Solution to yesterday's prize puzzle on Monday August 12.



FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances
FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

Main table containing financial data for various funds, including columns for fund names, prices, and performance metrics. The table is organized into sections like 'LUXEMBOURG (REGULATED)', 'OFFSHORE INSURANCES', and 'OFFSHORE'. It lists numerous fund names such as 'The Portugal Fund Limited', 'EquiFund-Worldwide National Equity', and 'Merrill Lynch Asset Management - Credit'.

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

Main table containing financial data for various funds, including columns for fund names, prices, and other metrics. Includes sub-sections like 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

Advertisement for 'OUR BEDROOMS HAVE MORE BED ROOM.' featuring a hotel room and contact information for Novotel.

OTHER OFFSHORE FUNDS

Table listing various offshore funds with their respective prices and performance metrics.

MANAGED FUNDS NOTES: Detailed text providing information and disclaimers regarding the managed funds service.

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

CHEMICALS - Cont.

Table listing companies in the Chemicals sector (continued).

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical EQPT sector.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing companies in the Electronic & Electrical EQPT sector (continued).

ENGINEERING

Table listing companies in the Engineering sector.

ENGINEERING - Cont.

Table listing companies in the Engineering sector (continued).

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries sector (continued).

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued).

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

HOUSEHOLD GOODS - Cont.

Table listing companies in the Household Goods sector (continued).

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS - Cont.

Table listing companies in the Investment Trusts sector (continued).

INVESTMENT TRUSTS - CONT.

Table listing companies in the Investment Trusts sector (continued).

INVESTMENT TRUSTS - Cont.

Table listing companies in the Investment Trusts sector (continued).

INVESTMENT TRUSTS - CONT.

Table listing companies in the Investment Trusts sector (continued).

INVESTMENT TRUSTS - CONT.

Table listing companies in the Investment Trusts sector (continued).

INVESTMENT TRUSTS - CONT.

Table listing companies in the Investment Trusts sector (continued).

Advertisement for 'IN A WORLD OF RISK, THIS COULD BE YOUR LAST CHANCE' featuring a 'RISK' guide and contact number 0500 855311.

Handwritten signature or stamp at the bottom center of the page.

NEW TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their financial details, including names like 'The British Trust for Conservation' and 'The British Trust for International Development'.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts such as 'The British Trust for International Development' and 'The British Trust for Conservation'.

INVESTMENT COMPANIES

Table listing investment companies and their performance metrics, including 'The British Trust for International Development'.

LEISURE & HOTELS

Table listing leisure and hotel companies and their share prices.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies and their share prices.

LIFE ASSURANCE

Table listing life assurance companies and their share prices.

MEDIA

Table listing media companies and their share prices.

PHARMACEUTICALS

Table listing pharmaceutical companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

OTHER FINANCIAL - Cont.

Table listing other financial companies and their share prices.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies and their share prices.

RETAILERS, FOOD

Table listing food retailers and their share prices.

RETAILERS, GENERAL

Table listing general retailers and their share prices.

RETAILERS, GENERAL - Cont.

Table listing general retailers and their share prices.

RETAILERS, GENERAL - Cont.

Table listing general retailers and their share prices.

RETAILERS, GENERAL - Cont.

Table listing general retailers and their share prices.

RETAILERS, GENERAL - Cont.

Table listing general retailers and their share prices.

RETAILERS, GENERAL - Cont.

Table listing general retailers and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

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Table listing property companies and their share prices.

SUPPORT SERVICES - Cont.

Table listing support services companies and their share prices.

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Table listing support services companies and their share prices.

TELECOMMUNICATIONS

Table listing telecommunications companies and their share prices.

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Advertisement for Merseyside: 'OUR EMPLOYEES ARE VERSATILE, RELIABLE AND DEDICATED. WE ARE PROUD TO BE PART OF MERSEYSIDE'. Includes contact info for Carol Patchelor, General Manager, Merseyside Ltd.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT... This service is available to companies whose shares are regularly traded in the London Stock Exchange for a fee of £350 a year for each company listed, subject to the Editor's discretion.

LONDON STOCK EXCHANGE

MARKET REPORT

Trading sluggish ahead of monetary meeting

By Philip Coggan, Markets Editor

Another London tube strike and the absence of any significant economic news led to a quiet session in the UK equity market yesterday.

The chancellor with a convincing argument for a rate reduction. Plenty of other indicators, such as last week's retail sales numbers, have pointed to the robust health of the consumer sector.

remain nervous about the US market, especially as economic data to be published later this week might prompt a US interest rate rise in August.

The main item of corporate news was the confirmation of talks between Boss and Allied Domecq about the latter's stake in Carlsberg-Tetley.

seemed unenthusiastic about the market and the dividend yield on the All-Share has crept back towards 4 per cent.

Bid talk returns to utilities

Speculation that East Midlands Electricity is to be the next UK electricity utility to be on the receiving end of a bid did the rounds in the market yesterday, driving the shares sharply ahead.

In Stockholm, following speculation that British Steel was about to buy the outstanding shares in the company.

tor Stagecoach continued to improve, hardening 9 to an all-time high of 478p.

candidates. Kleinwort Benson feels that Powell Duffryn, Stavely and Harrison's & Crossfield offer "good value".

a stake in Bass's brewing business. Some analysts suggested that should Bass buy all of Carlsberg-Tetley it would have a UK market share of nearly 40 per cent, which would provoke competitive investigations.

The market talk suggested the predator was likely to be a US utility and Houston Industries and Utilicorp were both mentioned as possible suitors for the UK group.

He added: "The AS share price contains a bid premium of at least 15 per cent."

airports group BAA eased a penny to 471p following first quarter figures in line with estimates. Bus and train operators

The proposed deal has been mooted for some months and analysts were not surprised by the statement from Bass.

London recent issues, equities

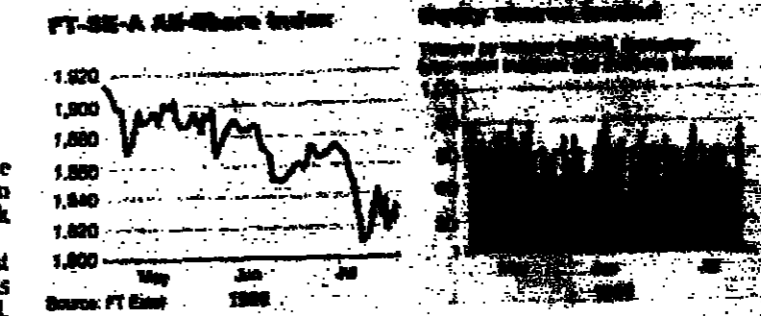


Table with 3 columns: Index Name, Current Value, Change. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, FT-SE All-Share Yield, and Best performing sectors like Electricity and Alcoholic Beverages.

Table titled 'FUTURES AND OPTIONS' showing data for FT-SE 100 Index Futures and Options, including Open, High, Low, and Change values.

Table titled 'TRADING VOLUME' showing trading volume for various sectors and individual stocks, including BHP Minerals, British Steel, and others.

Table titled 'FT GOLD MINES INDEX' showing performance metrics for gold mining stocks, including the index value and percentage change.

Table titled 'FT-SE Actuaries Share Indices' showing performance for various actuarial share indices, including FT-SE 100, FT-SE Mid 250, and others.

Table titled 'FT-SE Actuaries All-Share' showing performance for the FT-SE Actuaries All-Share index and its constituent sectors.

Table titled 'Hourly movements' showing the movement of various FT-SE indices and sectors throughout the day.

Table titled 'FT-SE Actuaries 350 Industry baskets' showing performance for 350 industry baskets, including Bldg & Constr, Pharm, and others.

DIAMONDS - NEW HORIZONS IN MINES AND MARKETS

7 October 1996 - London. This major one-day conference will review the significant changes taking place in the international diamond industry, examining the consequences of the boom in worldwide exploration for diamonds.

Registration/enquiry form for the FT Diamonds - New Horizons in Mines and Markets conference. Includes fields for name, address, and contact information, along with a list of speakers and topics to be addressed.

No mention was made by Bass of speculation that it is also in talks to buy Carlsberg's stake in the venture, in return for the Danish company taking

Large table titled 'FT-SE Actuaries Share Indices' providing detailed performance data for various actuarial share indices and their constituent sectors, including FT-SE 100, FT-SE Mid 250, and FT-SE All-Share.

Additional information on the FT-SE Actuaries Share Indices is published in Saturday editions. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including Austria (Jul 29 / Fri), Germany (Jul 29 / Fri), France (Jul 29 / Fri), Italy (Jul 29 / Fri), and the UK (Jul 29 / Fri).

Table of stock market data for Europe, including Belgium (Jul 29 / Fri), Denmark (Jul 29 / Fri), Finland (Jul 29 / Fri), Greece (Jul 29 / Fri), Ireland (Jul 29 / Fri), Luxembourg (Jul 29 / Fri), Netherlands (Jul 29 / Fri), Norway (Jul 29 / Fri), Portugal (Jul 29 / Fri), Spain (Jul 29 / Fri), and Sweden (Jul 29 / Fri).

Table of stock market data for Europe, including Switzerland (Jul 29 / Fri), Turkey (Jul 29 / Fri), and various indices.

Table of stock market data for Asia, including Hong Kong (Jul 29 / Fri), Japan (Jul 29 / Fri), and South Korea (Jul 29 / Fri).

Table of stock market data for Asia, including Malaysia (Jul 29 / Fri), New Zealand (Jul 29 / Fri), Singapore (Jul 29 / Fri), and Taiwan (Jul 29 / Fri).

Table of stock market data for Africa, including South Africa (Jul 29 / Fri).

Table of stock market data for Oceania, including Australia (Jul 29 / Fri).

Table of stock market data for Oceania, including New Zealand (Jul 29 / Fri).

Table of stock market data for Oceania, including New Zealand (Jul 29 / Fri).

Table of stock market data for Oceania, including New Zealand (Jul 29 / Fri).

Rockwell components for heavy and medium duty trucks and trailers keep businesses on the road to exceptional performance. Rockwell logo.

INDICES

Table of various stock indices including Nikkei, Dow Jones, and others.

US INDICES

Table of US stock indices including Dow Jones, S&P 500, and others.

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FX FUTURES

Table of foreign exchange futures data.

FX FUTURES

Table of foreign exchange futures data.

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Table of foreign exchange futures data.

FX FUTURES

Table of foreign exchange futures data.

Small print text at the bottom of the page containing legal disclaimers and publication information.

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 29

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'OTC LISTED STOCKS'.

BE OUR GUEST. Holiday Inn CROWN PLAZA MALTA. When you stay with us in MALTA stay in touch with your complimentary copy of the FINANCIAL TIMES.

JUL 10 1966

4 pm close July 29

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

4 pm close July 29

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

AMEX PRICES

4 pm close July 29

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'France' featuring the headline 'Have your FT hand delivered in France.' and text about gaining the edge over competitors by having the Financial Times delivered to their home or office every working day.

AMERICA

BA welcomes new minister with 2.9% rebound

Buenos Aires rebounded 2.9 per cent at mid-session on news that the central bank chairman, Mr Roque Fernandez, was to replace Mr Domingo Cavallo who departed on Friday as economy minister. The Merval index, which dropped 4.1 per cent on Friday, recovered 14.72 to 519.58 at mid-session as analysts tentatively welcomed the appointment of Mr Fernandez. They said that the low profile technocrat who had worked with Mr Cavallo since 1991 would defend economic stability and the convertibility system which pegged the peso to the dollar. Other regional markets were less fortunate. MEXICO CITY edged down on worries that the fallout of events in Argentina could spook international investors in the region. The IPC index was 12.46 weaker by mid-session at 2,978.47. SAO PAULO'S Bovespa Index was 194 weaker at 59,491, waiting for a clearer picture.

US stocks hover as investors wait for data

Wall Street

A quiet morning on the bond market and only a trickle of companies reporting earnings led US shares to hover near their levels of late Friday in mid-session trading, writes Lisa Brannstrom in New York. At 12:30 pm, the Dow Jones Industrial Average was off 5.55 at 5,487.51, and the more broadly based Standard & Poor's 500 fell 1.04 to 634.86. The American Stock Exchange composite was 0.34 weaker at 588.61. NYSE volume was low at 141m shares. Bonds slipped in early trading with the yield on the benchmark 30-year Treasury holding above 7 per cent amid nervousness about data due to be released later this week. Investors on both the stock and bond markets were waiting anxiously for Friday's figures on July employment, to judge whether the Federal Reserve would raise interest rates next month. The technology-rich Nasdaq composite, hardest hit among the major indices in recent weeks, managed a small gain amid some improvement in larger capitalisation technology shares. In early afternoon trading the Nasdaq added 1.41 to 1,060.85 while the Pacific Stock Exchange technology index was nearly flat. Large cap stocks such as Oracle, up 2% at \$394 and Microsoft, 3% stronger at \$119, managed to gain some ground while less established

EUROPE

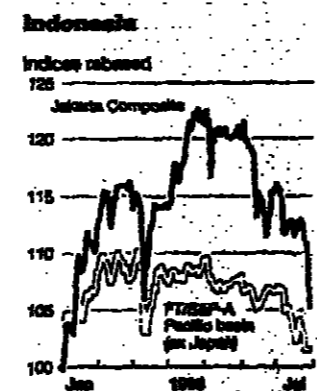
Frankfurt mixed as success lifts financial stocks

There were a couple of success stories in FRANKFURT's financial sector, but the broad market was mixed in extremely thin trading, as the Dax index rose 2.74 to an all-time high of 2,472.75. Turnover fell from DM5.4bn to DM4.5bn. In financials, Allianz climbed DM43 to DM2,686 after the big insurer forecast double digit profits growth this year, although less than the 34 per cent gain of 1995, and said that it hoped to increase its net return on equity from 11.2 to 15 per cent over the next three years. The research wing of Deutsche Bank, Deutsche Morgan Grenfell, increased its 1996 earnings per share forecast for Allianz from DM76.50 to DM79.10 a share. Meanwhile, Depts, the mortgage bank, said that its first half operating profits were up 30 per cent, and the shares rose 97 pps to DM90.97. MILAN featured a 6.9 per cent tumble in Olivetti on continuing worries over its troubled PC business. The shares fell 1.52 to 1,713, matching their low for the year set on March 14, amid speculation that a foreign fund was lightening its portfolio. The broad market was also weak. The Comit index fell 0.95

ASIA PACIFIC

Jakarta tumbles 3.7% in response to weekend riots

Jakarta recouped some of its losses late in the day, after falling more than 5 per cent at one stage following Saturday's riots. However, the composite index still closed down 20.57, or 3.7 per cent, at 540.74, after 527.77; brokers linked to the government were seen buying shares toward the end of the day. The most actively traded stock, Telkom, fell Rp102 to Rp25, with some 15 million shares traded. It touched a day's low of 3,100 rupiah in early trading.



20 cents to \$812.30 and Singapore Bus Service dropped 15 cents to \$52.00. CarnaudMetalbox led losers, falling 96 cents to a year's low of \$39.94. Danzani, a housing material company, lost Y35 to Y315 on reports that the company will not pay a dividend for the current year ending in November. In Osaka, the OSE average fell 2.18 to 22,140.94.

Roundup

A gloomy view of recent developments, including the economic slowdown and problems at Amoco, left SINGAPORE at a low for the year. The Straits Times Industrial Index dropped 31.39 to 2,068.00 with falls in just three shares accounting for half the fall. Fraser & Neave fell 60 cents to \$14.50, Cycle & Carriage lost

president denied reports that British Steel was about to buy out the 49 per cent stake in the Swedish company that it did not already own. The Astra-Varde General Index, meanwhile, rose 6.9 to 1,682.2. HELSINKI took the Hex index up 19.60 to 1,577.39. It also left Neata, the energy group, up FMs50 at FM100, after an early fall to FM81 after news of a crude oil trading loss on Friday, and disappointing profits from its 30 per cent-owned chemicals unit. However, yesterday the stock had fallen by FMs50 on Friday but some analysts found it hard to explain yesterday's recovery.

OSLO saw some initial excitement over the offshore technology merger proposal between an Aker unit and Maritime Group. Aker peaked at NKr132 before they closed NKr150 higher at NKr128, and Maritime at NKr175 before ending flat at NKr170. The total index rose 3.67 to 817.85.

TEL AVIV soared 3.6 per cent after the central bank lowered its key lending rate for August by higher than expected 0.7 of a percentage point to an annual 19.5 per cent. The Mishkanim index, which rose

1.3 per cent on Sunday on speculation of a cut, jumped 2.90 to 178.14. After Israel investments up 2.75 per cent on Sunday, jumped another 10 per cent on expectations of the sale of a 27 per cent stake in the company by Bank Leumi for well above the current price. Bank Leumi jumped 5 per cent to Shk364.

ISTANBUL was weak, but it narrowly held its ground as the market awaited details of the Islamist-led coalition's package of measures to boost state revenues, expected shortly.

The DAX-100 index lost 604.00 to 68,891.41. Analysts noted that today's Treasury bill auction, and a preliminary vote on whether to extend the US-led air operations protecting Kurds in northern Iraq, were further disincentives.

WARSAW marched another 1.6 per cent higher but analysts said that it was not clear whether gains in the last few sessions marked the end of a three week, 18 per cent downturn that sent the Wig index to 12,561.5 on July 28. The Wig picked up 201.8 to 12,572.6 but a turnover that dipped 11.9 per cent to 64.8m stocks.

Written and edited by William Cochrane and Michael Hooper

MARKETS IN PERSPECTIVE

Table showing market performance for various regions: Americas, Europe, Asia Pacific, Middle East, Africa, and World Index. Columns include % change in local currency, % change in US \$, and % change in US \$.

S Africa ahead in weak trade

An absence of significant local developments left Johannesburg to mimic Friday's performance on Wall Street but turnover of just R297m was sharply below the R350m- R450m that would be expected usual at this time of year. The overall index gained 22.7 to 6,657.8, industrials rose 26.2 to

7,872.1 and golds added 23.0 to 1,766.9. Analysts expressed surprise at the gains made in the gold sector, given that the bullion price lost ground. Among others, Driefontein Consolidated advanced a 21.25 gain to R58.25 and Free State Consolidated Gold Mines rose 80 cents to R46.30.

FT/S&P ACTUARIES WORLD INDICES

Large table of actuarial world indices. Columns include Country, US Change, Day's Change, Points, Yield, DM Index, Local Index, Local Yield, Gross Yield, US Dollar Index, US Dollar Index, US Dollar Index, US Dollar Index, US Dollar Index, US Dollar Index, US Dollar Index.

Rockwell, builder of the space shuttle, also makes the majority of the fax and data modems in the world. Includes Rockwell logo and contact information for US and Europe.

Advertisement for Shore Computers, featuring the text 'ATTENTION' and 'PORTUNITE'.

LAW

Ruling on courts' jurisdiction

National courts have jurisdiction to apply and interpret European state aid rules even where the matter in question has been referred to the European Commission, the European Court of Justice ruled recently.

The case arose in the context of the provision of logistical and commercial assistance given by the French post office to a company in which it held a majority shareholding.

The company, SFMI, was entrusted with the management and development of EMS Chronopost, which dealt with express deliveries. The services provided by the post office consisted of making its offices and some staff available for the collection, sorting, transport and distribution of letters and parcels to customers as well as advertising, canvassing and assisting customers.

Private express delivery companies operating in France under their umbrella organisation, SFEL, complained to the Commission and the French Competition Board, alleging the assistance given to SFMI constituted state aid incompatible with European law.

It was alleged that the assistance enabled SFMI to charge considerably lower prices than those of its competitors. The Commission rejected the complaint. Proceedings were filed before the European Court of First Instance for the annulment of the Commission's decision. In the light of that, the Commission withdrew the decision so that further evidence could be added to the file. The case was therefore removed from the register.

Since then there had been no indication as to the Commission's position on whether the measures constituted state aid. It was in this context that SFEL and its operative companies sought a declaration that the assistance given to SFMI constituted state aid in breach of European law.

The plaintiffs sought an injunction restraining the post office from granting the aid as well as an order for repayment of all unlawful aid. The tribunal decided to stay proceedings and refer certain matters to the European Court. The court first had to decide whether the national court had jurisdiction in such matters. It was argued by the defendants that when the Commission was considering such a matter, but had yet to decide whether the measures constituted state aid, the national court should decline jurisdiction since its decision might otherwise conflict with the Commission's. The court dismissed this argument. The Treaty of Rome provided that unless there had been notification of planned aid to the Commission, that aid could not be regarded as having been properly granted. Although the national courts could not rule on the compatibility of any given aid, nevertheless the fact that the Commission had initiated an examination of the aid could not release the national courts from their duty to safeguard the rights of individuals.

C-39/94 Syndicat Français de l'Express International v La Poste, ECJ FC, July 11 1996. BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

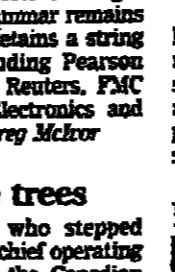
Gylenhammar to chair Cofinec



After a long career focused on Europe and the US, Peter Gylennhammar (left) is turning to eastern Europe. The former Volvo chairman has been appointed chairman of Cofinec, a French-registered packaging group which last month launched on the Budapest stock exchange, and whose operations are based in Hungary, the Czech Republic and Poland.

Gylennhammar, who in January became senior adviser to Lazard Frères & Co of New York, explained his mission as one of helping Cofinec "get on the right course in an open market economy". It is, he says, essential for such businesses to feel confident of being able to compete internationally - a prerequisite for keeping east European markets open. Gylennhammar succeeds Hans-Jörg Rudloff, who is leaving Cofinec. The former Credit Suisse First Boston star is Gylennhammar's erstwhile partner at MC European Capital (Holdings).

Lank drives up



Kurt Lank (left), the new head of Mercedes-Benz's commercial vehicle division, knows a thing or two about the automotive business, having been at Audi from 1989 to 1992. He is also a Swabian which will no doubt get him off to a flying start at Mercedes' headquarters in Stuttgart where being a local is certainly no handicap.

Those factors aside, Lank's appointment has raised eyebrows across corporate Germany, not least because Mercedes likes to develop home-

grown talent. As Lank, 50, knows next to nothing about the commercial vehicle business there are suggestions that he has been brought in by Helmut Werner, the 65-year-old boss of Mercedes, who is keen to grapple with the commercial vehicle division's problems himself. The other view is that Lank, who used to be finance director at the Volvo industrial conglomerate, is the protégé of Jürgen Schreyvoss who heads the Daimler-Benz group overall.

Schreyvoss has been trying to cut Daimler's loss and is determined to improve the group's return on capital following record net losses last year of DM5.7bn. He will have an ally in Lank, who masterminded Volvo's first-ever set of US GAAP accounts and has helped extract value from a number of Volvo's myriad activities. Despite those successes at Volvo his relationship with Ulrich Hertzmann, chief executive, had become tense, not least because Lank thought very little of Volvo's rather higgledy-piggledy foray into telecoms. Michael Lutzmann

Manila stock exchange

The turf battle between the Philippine stock exchange and Manila's securities and exchange commission could be about to tilt in the PSE's favour.

Edoardo de los Angeles, president of the PSE, confirmed last week that Romeo (Romy) Ferrer, who resigned as under-secretary of finance in June after six years in office, was his most likely successor when the job falls vacant on September 1. As chief adviser to the executive director of the World Bank between 1981 and 1983, Ferrer, 47, has high level international experience. Since his last foray into public life, he has worked for the PSE's self-regulatory and equity watchdogs of a house-on-NBC nature that Ferrer has the necessary authority to do the job. "The real thing we need right now is a push-over," said one foreign banker. "Romy's got the reputation and the clout to give us the independence that we need."

Under government rules, outgoing ministers cannot wait for 12 months before taking up posts connected to their previous employment, though PSE officials are confident this will not pose a problem. Last week, however, all hands were on deck to welcome Ferrer to the recently-inaugurated Philippine National Bank. It was believed that it was acceptable that he had been a director of another exchange at the PSE. Edward Lee

ON THE MOVE

- Heinz Friedmann, 53, has been appointed vice-president, sales of the mobile communication division of ALCATEL TELECOM. Cathy Steiner has been appointed vice-president of YORKTON SECURITIES, a Canadian investment dealer with institutional sales and trading operations in north America and Europe. She was previously with the corporate finance group at First Marathons. Patrick Draper has become non-executive chairman of AQM Automotive Corp. He replaces Leslie Leib, who remains a director and chief executive of AQM as well as chief executive of its wholly owned operating subsidiary, GK Industries. Nancy Gore has been appointed senior director, investor relations at AMERICA WEST AIRLINES. She was formerly senior director of investor relations and communications at Magellan Health Services in Atlanta. Alastair Woodrow, 49, joins CLYDE PETROLEUM's UK staff as general manager, existing ventures and international. He was previously managing director of Aran Energy Exploration until its acquisition by Statoil in December 1995. Peter Stoelze, director, regulatory affairs at Bausch & Lomb Pharmaceuticals, has been appointed executive vice-president of BIGMAR, a supplier of oncology products. Uwe Gaetje, managing director of Shanghai Edward Shipbuilding Co of Shanghai, has been appointed managing director of the shipbuilder VOLKSWERFT STRALSUND. Tim Kettemann has been appointed director of BB-INVEST of Berlin, an investment fund company 50 owned by Bankgesellschaft Berlin and the Gothaer Versicherungs group. Christian Pierret has stepped down from his post as deputy chairman of French hotel group ACCOR in order to pursue his political career. VOLKSWAGEN has decided to replace Juan Llorens, chairman of its loss-making Spanish unit Seat of Barcelona, with the head of Volkswagen do Brasil, Pierre-Alain de Smedit. Michael Bush has been appointed to the board of watch designer and manufacturer MOVADO GROUP, which is also distributor of Piaget and Corum watches in north America, central America and the Caribbean. Manuel Contreras has been appointed as head of treasury operations in the FIRST NATIONAL BANK OF CHICAGO's new Mexico City subsidiary. Timothy Westover has been appointed president of LITTON SYSTEMS CANADA, a major defence contractor and subsidiary of Litton Industries Inc. He succeeds Thomas McGuihan, who has resigned. Gilbert Wachsmann has resigned as senior vice-president at KSMART Corp. Donald Rice, president and chief operating officer of TELEDYNE, has announced his resignation as a director with the closing of the pending strategic combination with Allegheny Ludlum Corporation. Andrew Sarlos has been appointed to the board of CANADIAN MAPLE LEAF FINANCIAL CORPORATION, an equity banking and international financial services firm based in Vancouver. Bernhard Huber has been appointed managing director of KRAFT JACOBS SCHARD's German operation, replacing Goetz Michael Mueller. Paul Lindemann Moller has taken over as head of domestic appliances at PHILIPS of Hamburg. He replaces Diethelm Horak who is returning to his post as board member responsible for personnel. Avi Basher has been appointed chief financial officer of ACCENT SOFTWARE INTERNATIONAL, the Israeli company. Paul Beard has been appointed vice-president and general manager of European operations at Accent's UK-based subsidiary, Accent Software Europe. Peter Hertz has been appointed managing director at ARAB BANK of Frankfurt. His predecessor Ingomar Kieback has retired. Heinz was previously managing director with American Express Bank in Frankfurt. Georges Spitzer, 38, has been appointed chairman at LVMH subsidiary Givenchy Couture, replacing Richard Simoniin. EDISON INTERNATIONAL has appointed Lillian Gorman, vice-president for human resources and Theodore Craver as vice-president, treasurer, for both Edison International and Southern California Edison. Randall Ganin has been appointed a director of MAGNA GROUP Inc, a St. Louis-based community bank holding company. Bruce Cochet has resigned as president, chief executive and director of COMSAT Corporation. Betty Alwine takes over. She joined COMSAT in 1986 and recently she has been the president of Comsat International Communications. Jeffrey Raikes has been promoted at MICROSOFT to group vice-president, sales and marketing. The company has also promoted to vice-president Joe Vetter (US, western region), Dianne Gregg (US, eastern region), and Frank Clair (US, central region and Canada). Linda Daverport has been appointed by FANNIS MAE as managing director of its new Housing Investment Fund. Mike Horlitz has been appointed by SANWA BANK California as senior vice-president and head of its office of the president. FUJITSU PERSONAL SYSTEMS has appointed Robert Rauch vice-president of engineering and John Roth as vice-president of administration and chief financial officer. AC NIELSEN, scheduled to be spun off from the Dun & Bradstreet Corporation in October, has announced seven board appointments. They are: Robert Beatty, currently non-executive chairman of Service America Corp; Donald Griffin,

MANILA STOCK EXCHANGE

- Chairman, PSE and chief executive of PSE, Edoardo de los Angeles, president of the PSE, confirmed last week that Romeo (Romy) Ferrer, who resigned as under-secretary of finance in June after six years in office, was his most likely successor when the job falls vacant on September 1. As chief adviser to the executive director of the World Bank between 1981 and 1983, Ferrer, 47, has high level international experience. Since his last foray into public life, he has worked for the PSE's self-regulatory and equity watchdogs of a house-on-NBC nature that Ferrer has the necessary authority to do the job. "The real thing we need right now is a push-over," said one foreign banker. "Romy's got the reputation and the clout to give us the independence that we need." Under government rules, outgoing ministers cannot wait for 12 months before taking up posts connected to their previous employment, though PSE officials are confident this will not pose a problem. Last week, however, all hands were on deck to welcome Ferrer to the recently-inaugurated Philippine National Bank. It was believed that it was acceptable that he had been a director of another exchange at the PSE. Edward Lee

Tables containing market data for futures, options, and various commodities, including grain, oil, and metals prices.

Financial advertisements for various firms including Union Limited, Berkeley Futures Limited, Market-Eye, and Knight-Ridder's Futures Market Datasheet.

Advertisement titled 'BUSINESSES FOR SALE' listing various business opportunities for sale, such as computer systems, ground maintenance, and radio communications.

Advertisement titled 'SOUTH AFRICAN COMPUTER BUSINESS IN THE BUSINESS SYSTEMS MARKET' detailing a computer systems business for sale.

Large advertisement for 'Philippines' survey on Thursday, September 19, including contact information for Jenny Middleton and other staff.

Advertisement for 'Signal' providing real-time quotes for various markets and services, including futures and options.

Additional business listings and advertisements, including 'LIQUIDATIONS AND RECEIVERSHIPS', 'OFFSHORE TAX LOSS COMPANY', and 'SILLO MANUFACTURER'.

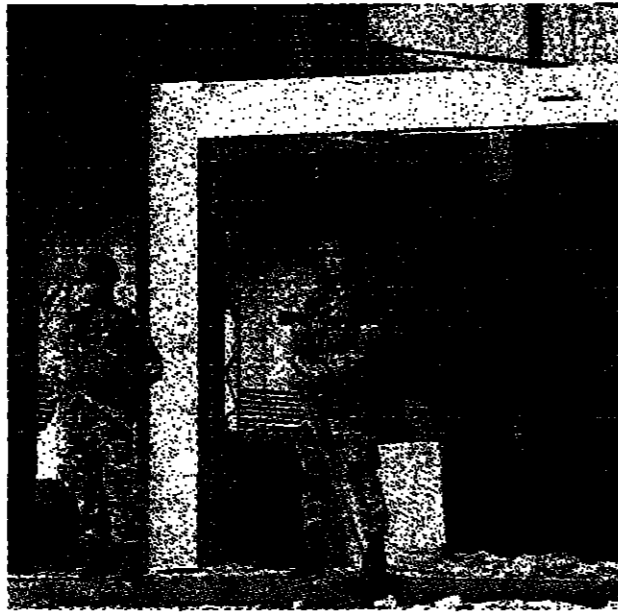
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COMMENT & ANALYSIS

Intimations of mortality

Peter Montagnon on the jostling in Indonesia over the succession to President Suharto

It has suddenly become fashionable among Asia watchers to compare Ms Megawati Sukarnoputri, Indonesia's opposition leader, to Ms Aung San Suu Kyi, the Burmese democrat whose tireless campaigning has undermined the international legitimacy of the government in Rangoon. Since the military contrived to engineer her ousting in June as leader of the Indonesia Democratic Party (PDI), Megawati, as she is universally known, has become a symbol of opposition to the 33-year rule of President Suharto. With the violent riots that followed the evacuation of her supporters from the PDI headquarters at the weekend, the force of that opposition looks to be growing. But appearances can be deceptive. Unlike Ms Suu Kyi who won elections in Burma in 1990, few in Indonesia believe Megawati or the PDI could win next year's general election or the presidential election the year after. The risk to stability may have grown, adding to concerns about the eventual transition once President Suharto, 75, steps down. Yet for now his hold on power remains firm. There is no organised threat to the position of the president at the moment, principally because the military is still united behind him, says Mr Juwono Sudarsono of the government-financed Defence College in Jakarta. Like Ms Suu Kyi, Megawati is the daughter of a famous politician, President Sukarno, her father, was Indonesia's first president who unified the nation after independence. But unlike her Burmese counterpart she lacks charisma. In two years at the helm of the PDI and, before that, in a decade as a member of parliament, she made little attempt to grab the limelight. Even yesterday she appeared reluctant to exploit the wave of exposure following the riots. Her public profile remains low and, though the assault on her supporters at the PDI headquarters was widely expected, she has carefully avoided direct personal confrontation with the president. The government was expected to act but the timing of its move was inevitably determined by the Asian regional forum, a prestigious interna-



Crackdown: troops guard a bank after anti-government rioting

tical security conference hosted by Jakarta which only ended last week. Given Indonesia's long tradition of street violence, it was always likely that the move would result in rioting. But the uneasy calm that descended on Jakarta yesterday - despite three bomb scares in the central business district - suggests the violence could quickly abate. Yet the decision to move against Megawati involves a curious and typically Indonesian contradiction. Why, if she was never much of a threat to the president, was it necessary to go to all the trouble of ousting her as opposition leader? The answer, according to one government official, was that the authorities wanted to marginalise her early in the election process. She was never expected to get more than 15 per cent of the vote, but the next election is strategically important because the president is getting older. Her position in opposition might have made it hard to form a consensus about the succession, he explains. The death in April of President Suharto's wife, Siti Hartinah Suharto, and his own

recent visit to Germany for a health check have underlined his mortality and the fact that his regime must come to an end. Suddenly, Indonesia is both restive and uncertain how the transition will be handled. While a spurt in economic growth has brought a palpable increase in living standards, Indonesia's newly affluent middle class is increasingly resentful of the stranglehold on power maintained by President Suharto, his cronies and family. His children have become brazen in exploiting their connections to further their business interests: for example, his son Hutomo Mandala Putra won tax concessions in March to develop a cheap national car. Indonesia ranks alongside Uganda and the Philippines - not far behind Nigeria - towards the top of the Corruption Perception Index produced by Transparency International, the German-based watchdog. Assuming President Suharto stands and wins again in 1998, the resulting five-year term will almost certainly be his last. Attention will focus on his choice of vice-president who will effectively be his designated successor.

That person will face an enormous task. He or she must steer Indonesia towards a more liberal pluralist system, while maintaining the confidence of the military which is crucial to national stability. If the new leader comes from outside the family, he or she must also persuade Mr Suharto's children to take a back-seat role which may involve a deal to protect them from any attempts to strip them of the wealth accumulated during their father's term of office. Yet President Suharto has shown little sign of preparing the country for transition, while the military appears disconcertingly divided on tactics. Younger officers such as Maj Gen Syarwan Hamid, head of the political affairs unit, and Lt Gen Suyono, chief of general affairs, urged a tough line on Megawati. But Mr Edi Sudrajat, the defence minister, was much more emollient. Against this background, the prospect of a transition as bloody and chaotic as that which brought Mr Suharto to power strikes alarm into many Indonesians. Mr Geonawan Mohammad, former editor of the banned Tempo magazine, fears an explosion on three fronts: ethnic conflict sparked by resentment against the economically successful Chinese; religious turmoil as Islam takes a stronger hold; and regional rebellions as separatists flex their muscles. The more sanguine view in the business community is that the very affluence which has brought the urban middle classes to be open in their resentment of President Suharto will be a force for stability in the long run. The hope is for an eventual transition along the lines of that in South Korea. The longer President Suharto remains in power and the richer the middle classes become, the more that pressure for stability will make itself felt, argues one foreign banker. But hearts will beat easier when the person able to deliver a smooth transition finally emerges on the scene. For all the attention she currently enjoys, Megawati has so far failed to demonstrate the political skills and the broad establishment connections that fit the bill.

LETTERS TO THE EDITOR

Jobs picture not so bleak in France
From Mr Christopher Johnson.
Sir, Your leader on unemployment in France ("Sharing the pie", July 26) is well argued, but the position in France relative to the UK is not as bad as the aggregate statistics make it look. This table is taken from the seasonally adjusted May 1996 unemployment percentages published by Eurostat:

Table with 2 columns: Unemployment rate, France v UK, and France 1995. Data points include 10.5% for France v UK and 10.2% for France 1995.

The difference is only in female unemployment rates. It arises because a higher proportion of the potential female labour force is registered as unemployed in France than in the UK. It has more to do with comparative social security arrangements for women than with relative economic performance. Christopher Johnson, chairman, Franco-British Council, 47-49 Stratton Ground, London SW1P 2BY, UK.

LME defence serves only to confuse
From R. Patrick Thompson.
Sir, Your article "Former chairman defends LME system" (July 18), setting forth Christopher Green's "spirited defence" of the London Metal Exchange clearing system could only have served to confuse and, unfortunately, sidetrack, all but the expert insiders in the copper world from the real issues raised by the LME's handling of Sumitomo. The clearing system - which is owned and regulated not by the LME, but by the London Clearing House - managed to avoid default because of the deep pockets of Sumitomo, a non-clearing member. This avoidance of default, however positive, is not the standard by which the Sumitomo crisis should be measured. Instead, the real issue is whether the LME permitted its customer to hoard a strategically important

commodity resulting in artificial pricing. The standard against which the LME's regulatory structure must be graded is its ability and toughness of will to combat market manipulation. This is not a trivial regulatory issue or one whose impact was limited to a single company. If manipulation in the Sumitomo matter did in fact occur, its impact on the domestic US consumer alone exceeded \$1.5bn, in Nymex's estimate. Comparing this impact to Metallgesellschaft, as Mr Green did, is simply off-base. MG lost money, and a lot of it, but was not trying to corner the oil market. MG's trading - the vast majority of which took place in the OTC market - involved the ongoing health of MG. This was a financial matter that was widely regarded as having been handled promptly and correctly, despite the inference

to the contrary in your article. That a seemingly regulated market can behave in the way the LME's copper market was permitted to behave requires inquiry and explanation, not uncritical endorsement. The sooner that key officials acknowledge the shortcomings in the LME copper marketplace, and correct them, confidence can be restored. On the other hand, if the system is "good enough", as Mr Green states, corrective measures that are needed to restore public confidence may be delayed. Please continue to report on the public's need for measured changes, and not on the hopes of the established market leaders to maintain a dangerous status quo. R. Patrick Thompson, president, New York Mercantile Exchange, New York, NY 10048, US.

Positive Indian budget passes critical test

From Mr Deepak Lalwani.
Sir, In his feature "Classic Indian craftsmanship" (July 24), Mark Nicholson opines that the 1996-97 budget "was not a brave first budget", identifying the high fiscal deficit as a key focus of concern for the international capital markets. The new government comes out of a fragile coalition of 13 parties, pursuing disparate policies and representing diverse constituencies and interest groups. No one party or group commands an overall majority in parliament, and therefore the critical test for the budget must be whether it is capable of being passed by parliament. The underlying message of the budget is surely positive in that reform is to continue, and that the government is to pursue policies which will maintain economic growth. (Gross domestic product

growth of 7 per cent per annum is respectable, even by Asian standards.) Meanwhile, a not over-ambitious attempt is being made to reduce the fiscal deficit to 5.0 per cent from 5.9 per cent of GDP. Prior to liberalisation, the average deficit 1987-91 was 6.3 per cent of GDP. Post-liberalisation, the average deficit for the period 1992-96 was 6.2 per cent. The current target of 5.0 per cent therefore represents a further step in the right direction, and should be viewed in relation to recent history. Moreover, a key factor in achieving the target is to be the divestment of Rs50bn of state-controlled assets. To suggest that five years of liberalisation has not yet depoliticised the running of the economy ignores the complexity of Indian democratic politics. It has been widely acknowledged for some

time that the narrow distribution of the gains from liberalisation would have to be addressed if the reform process was to continue to obtain sufficient, broad-based political support. This budget makes an essential nod in the direction of the rural poor, the sector which has seen little of the benefits of deregulation and reform. Unless this political problem had been addressed, the fiasco of the Indian politics would only gain support, a development which would present a genuine threat to reform. Overall, Mr Chidambaram's first budget is more positive than many expected when the coalition government came to power in June. Deepak Lalwani, India desk, Astaire & Partners, 40 Queen Street, London EC1V 1DD.

More rightful author of labour theory of value

From Mr Dominic Hobson.
Sir, The only common ground between Michael Prowse ("Dethroning Adam", July 8), Eamonn Butler (Letters, July 11), Prof Jeffrey M. Harbeson (Letters, July 17) and the late Prof Murray N. Rothbard is their belief that Adam Smith was the author of the labour theory of value.

Yet that dishonour surely belongs to John Locke, who in *Of Civil Government* explained that the individual acquired rights of property only by "mixing" his labour with the common stock of the natural world. Locke's purpose, which was to show that the right to property is natural rather than conventional, was political

rather than economic. It is not hard to see why this idea was useful to Hegel and Marx in developing the theory of alienation, and to Ricardo, Smith and Marx in formulating the labour theory of value. Dominic Hobson, 62 Mancharia Road, Battersea, London SW11 6AE.

European Central Bank signals taxation without representation

From Miss Haruko Fukuda.
Sir, It is possible that Mr Eric Eustob (Letters, 24) has "adopted the real question". The real question is whether having a British member on the board of the European

Central Bank would leave the UK with the ability to determine its interest rates and its levels of taxation commensurate with our British aspirations. The basis of parliamentary

democracy as founded in the British tradition is that there should be "no taxation without representation". However, the independent European Central Bank, as it is planned currently, is neither

accountable nor answerable to any of the national parliaments. Haruko Fukuda, 33 Ennismore Gardens, London SW7, UK.

Personal View - David Cesarani

Questions from history

Swiss action on the 'dormant' accounts of Jews in its banks will be the test of its pronouncements

& Over the past few years the country has been accused of turning away the Jews fleeing Nazi persecution, allowing the Nazis war economy, and concealing gold which the Nazis plundered from the countries they occupied. Worst, Jewish organisations have charged Swiss banks with hiding the existence of, and profiting from, the accounts opened by Jews who subsequently perished in the holocaust. Some of the grosser charges of misconduct are unfair and ignore the context in which both government and banks were operating during the Nazi era. But the conduct of the Swiss government and Swiss banks raises questions about asylum and banking ethics which are relevant today. Between 1933 and 1938 about 30,000 Jewish refugees were allowed transit through the country but few were able to settle there. After the Germans annexed Austria, more than 10,000 mainly penniless Jews poured into the country. Border controls were heightened and in October 1938 the Swiss government insisted the passports of German Jews be marked so that potential refu-

gees could be easily distinguished. In 1940, Paul Gruninger, head of the border police for Saint Gallen canton, was jailed for helping Jews to escape across the border. Switzerland was an important base for Jewish relief and rescue and from mid-1943 Swiss refugee policy was modified. But desperate to preserve the country's neutrality, everything was done to avoid the impression of favouring refugees from Nazism or anti-Nazi elements.

The UK and US governments were more worried about the role Swiss banks played in facilitating the Nazi war effort. The Germans seized hundreds of tons of gold from the central banks of the countries they overran in 1939-41. This plundered gold augmented the modest reserves of the Reichsbank and was used to pay for imports of food, goods, raw materials and fuel. The gold was transferred into Switzerland to offset payments to third parties.

The changing atmosphere, however belated, may speed the disbursement of whatever Jewish money remains unclaimed in Swiss vaults

The allies placed enormous pressure on the Swiss to cease these transactions, but they continued until the eve of Germany's defeat. Dean Acheson, the US State Department official, commented bitterly that: "In April 1946, the Swiss surrendered [to allied pressure] - only a month before General Jeddid did."

In September 1944 the allies set up Operation Safe Haven to force the Swiss to curtail their dealings with Germany. The Swiss agreed, but only under stringent conditions, and without reference to any of the looted gold in their custody. After the war, the victorious allies which occupied Germany and were stewards of its fortunes claimed ownership of German assets in Switzerland. But the Swiss initially refused to recognise their jurisdiction. They rebuffed all demands for the repatriation of gold transferred from the Reichsbank or even looted gold.

Finally, in May 1946, the allies reached a deal with the Swiss, the disclosure of which has recently caused uproar. The allies conceded the low Swiss estimate of German assets in Swiss banks and agreed to split the sum \$0.50 with the Swiss placing gold with the value of \$F250m in a "gold pool" to be used to meet the claims of a dozen plundered central banks. Yet the restitution procedure was dogged by problems and astonishingly was still grinding away in 1981.

atives of these Jews and Jewish organisations responsible for handling reparations requested the Swiss banks to hand over money from accounts where the holders were now deceased. The banks demanded ludicrously high standards of documentation. In 1962, after an international campaign, the Swiss government decreed a survey of "dormant" accounts. About \$2m was paid to about 1,000 individuals and the rest to Jewish charities.

Jews suspected more was being concealed and another international campaign, the World Jewish Congress in 1994. It embarrassed the Association of Swiss Banks into conceding another trawl of the "dormant" accounts. The results of this are still to be disclosed. It has taken a long time for the Swiss to come to terms with their wartime history. It was not until 1994 that Paul Gruninger was pardoned and officially recognised as a hero. This changing atmosphere, however belated, may speed the disbursement of whatever Jewish money remains unclaimed in Swiss vaults.

In April 1995, Mr Flavio Cotti, the Swiss foreign minister formally acknowledged his country's chequered past. "We Switzerland was involved in the barbarism of those years, he said. Its policy on asylum immigration and the treatment of "dormant" accounts from the 1940s will be the test these yearsworth sentiments. The author is professor of Jewish History at Manchester University.

SINGAPORE offers excellent back-up to computer experts. HERE'S data on other exhibitions.

Table titled 'EXHIBITIONS 1996' with columns for Date, Event, and No. of Exhibitors. It lists various trade fairs and conferences from September to December.

Registration form for Singapore Convention & Exhibition Calendar. Includes fields for Name, Title, Company, Address, and Telephone.



Handwritten Arabic text: مسكن الاماكن

FINANCIAL TIMES

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Tuesday July 30 1996

The struggle against terror

While joining in the general revulsion at Saturday's bomb attack in Atlanta, America's allies will have breathed a secret sigh of relief when they heard that the like last year's explosion in Oklahoma City, but unlike the destruction of TWA 800, the Paris-bound US airliner which blew up off Long Island on July 17 - it was probably the work of home-grown American terrorists.

It is not at all in those allies' interests that Americans should regard terrorism as something directed at them from the outside world. Such events understandably feed American isolationism, and almost inevitably lead to recrimination between the US and its allies. It is preferable that Americans should come to terms with the painful truth that terrorism is a plague which can germinate within almost any modern urban society, and that vigilance against it must be directed inward as well as outward.

Today in Paris Ms Janet Reno, the US attorney general, will meet foreign ministers from the US's G8 partners (the inclusion of Russia in such meetings is becoming routine, and should be welcomed) to study ways of making international co-operation against terrorism more effective. It is to be hoped they will concentrate on preventive measures that can be practically effective.

Much can be achieved by simple, if tedious, security procedures; and national police forces can benefit greatly both by sharing intelligence and by studying

each other's methods. But in the end each society has to decide for itself what it considers an acceptable balance between inconvenience and loss of personal freedom on one side, and personal insecurity on the other.

As with other crimes, increasing the risk of detection is probably the most effective deterrent. More can no doubt be done to ensure that terrorists do not benefit from asylum laws, but there will always be differences of opinion about who qualifies as a terrorist, and where the line should be tried. Courts in western countries, for instance, will rightly be squeamish about handing over to Saudi justice someone who has merely advocated or incited "resistance", even if violence has been perpetrated by people sharing his ideas.

Most problematic of all is the US drive to deploy trade sanctions against states accused of sponsoring terrorism. European governments (and Japan) should certainly pay careful attention to the evidence against such states, and should show a genuine interest in deterring them (and apprehending individual suspects) when the evidence is convincing. But the US also needs to recognise that there can be bona fide differences among allies about the most effective way of doing this. The US itself, after all, has in recent years adopted one approach to Iran and a quite different one to Syria. The judgments involved are political rather than judicial, and little is gained by investing them with a spurious moralism.

One in £15m

It would be hard to find a better example of performance-related pay. At the start of last month's European football championship Alan Shearer was championing a nasty case of drought. It had been 12 matches since he had scored a goal for his team Blackburn Rovers, and some two years since he had put one in the net for England. But seven superb Euro96 goals have made him into the most expensive footballer ever, with a record £15m transfer to his home team Newcastle United.

At first glance the move looks like another victory for "winner-takes-all" economics over old-style collectivism. Some of the city's leading investment banks now live in dread of their stars being poached by competitors. When the value of companies seems ever more closely linked to the value of individuals, personnel officers look to the cut-throat football transfers market and see their future. What they ought to see, however, is their recent past.

In money terms, at least, British football is flourishing, in much the way the city did during the mid-1990s. Thanks to a combina-

tion of soaring television fees, gate receipts, merchandising revenue and, lately, public share offerings, the most successful clubs have more money than they know what to do with. The result is that Newcastle may, just, be able to afford pay £15m for a player who might help the team win the championship. It is a gamble, certainly, to invest this much in an asset which could become worthless overnight. But it may well be one worth taking.

So far, the new money is accruing to teams and their shareholders, not just to individual stars. Mr Shearer's unique talents put him in an unusually strong position to dictate terms, but it will personally gain only a fraction of the headline £15m from the deal. Blackburn Rovers will use the money to buy new players, meaning that the bulk of the money stays in the game, if not, always, in the country. Worldwide experience suggests that star performers will inevitably demand a larger slice of the cake. Until then, the highest rewards will go to team-players rather than prima donnas.

Embryos

This Thursday, Britain's test-tube baby clinics will have to destroy more than 3,000 frozen human embryos to meet a deadline imposed by parliament five years ago. The "pre-natal massacre", as it has been dubbed by a Vatican newspaper, has understandably aroused strong emotions, but the Human Fertilisation and Embryology Authority, the agency responsible for enforcing the law, does not deserve the abuse fired at it.

The 1991 legislation originally imposed a five-year storage limit on all embryos, to take effect on 1 August 1996, because scientists feared prolonged freezing might damage the cells. The scientific consensus about safety has since evolved and in May this year parliament approved regulations of clinics to store embryos for least five more years, protecting individuals who produce eggs and sperm give permission. The authority has 33 in-vitro fertilisation clinics have made strenuous to track down all the "paralytic" 3,300 embryos are likely to be next Thursday because clinics have lost touch with them.

The most immediate defence for authority's action is that it enforces the law. It also is that it would be unethical to create embryos for adoption by infertile couples, argument, implying that the parents "own" their embryos, may be harder to accept. IVF treatment in the UK has been based on informed consent; participants were told their embryos would not be used without their written agreement, and it would be wrong to change the conditions.

Parliament could consider changing the law, so that future

patients agree in advance that clinics can give away surplus embryos after five years, in the absence of other instructions. But such an amendment would make little impact on the fundamental problem: that modern fertility treatment is creating a gigantic supply of frozen embryos, and no one knows what to do with them.

IVF doctors extract and fertilise six to 12 eggs from a woman at one time. Up to three are implanted in her womb, and the rest may be frozen for implantation later if necessary. A rough calculation suggests that the world's clinics are storing at least 300,000 embryos and that the number is increasing by 50,000 a year.

Eventually, the vast majority of them will have to be destroyed - a process that simply involves thawing out and touching with a drop of alcohol or water. Anti-abortion groups do their own cause a disservice by implying, as some have, that this procedure is equivalent to killing babies. A group of four or eight undifferentiated cells, smaller than a full stop, may be a potential human being, but the chance that any particular embryo would actually develop, if implanted in a healthy womb, is only one in eight.

Since the first test-tube baby Louise Brown was born 18 years ago, the UK has led the world in the scientific development of IVF. It has also led the development of supporting legal and ethical structures, from the Warnock Report in 1984 to the 1991 Human Fertilisation and Embryology Act. No other country, with the possible exception of Australia, has considered so seriously the ultimate fate of frozen embryos. Britain's pre-natal massacre should prompt the rest of the world to join in the debate.

Mr Gordon Brown is a puzzle. The shadow chancellor is the intellectual in Mr Tony Blair's team, the architect of New Labour's economic strategy. He is also mad-deningly populist, the master of the political soundbite. The leader aside, Mr Brown is his party's most public figure. His stentorian denunciations of the government resound across the airwaves. Yet even among colleagues the private man is something of a mystery. Within a year he may be chancellor. Then, he expects to surprise us.

The common perception is of an economic conservative, a dour Scottish Presbyterian and would-be iron chancellor. Even before Mr Blair became party leader two years ago, Mr Brown had started to dump the high spending and tax policies which kept Labour out of office during the 1980s.

His proposed framework for fiscal policy is as rigorous as any pursued by the Conservatives in government. He has pledged that a Labour administration would set a tough target for inflation. The Bank of England would win greater independence. Sterling might join a single European currency.

But the shadow chancellor wants to be radical as well as reassuring. He thinks there need be no contradiction. Among past chancellors, he most admires the Liberal David Lloyd George who enraged the Conservative ruling class in the first decade of the century by building the first foundations of the welfare state.

So if Labour wins the election, Mr Brown sees his role extending well beyond the Treasury's formal remit of macro-economic management and financial control. He is one of the dwindling band of politicians who can make connections. He intends to be a chancellor in the style of, say, Nigel Lawson, using the Treasury as a base to shape policy across government. It was Mr Lawson who added economic substance to the instincts of Thatcherism. Though he would doubtless disapprove of the analogy, Mr Brown would clearly like to do the same for Mr Blair.

He has produced a new mission statement which would oblige the Treasury to turn its mind to such issues as employment opportunities, "fair" use of public resources and social equity. Welfare, labour markets, education and training, competition policy, technology, would seem to fall within Mr Brown's definition of economics.

So far, the specifics seem timid: a modest shift in resources towards primary schooling, tighter rules for the young jobs if they refuse the offer of a job or training, a bigger contribution from university students towards living costs. Plans to finance a new employment programme through a windfall tax on privatised utilities have the feel of populist politics as much as fundamental reform.

There are other ideas - for life-time access to education and training and for a "university for industry" to boost the acquisition of skills in the workplace. But the shadow chancellor has yet to mould his overall approach into a simple economic message. There are big dangers here. Ask the voters about Labour's plans for the economy and most still will mention the minimum wage or speculate about a higher top rate of income tax.

Mr Brown explains the tension between prudence and reform by arguing that change must be built on a "platform of responsibility". Thus: "We are redefining and reappraising the role of government. If you feel we are cautious it is because we have to emphasise there are things that government tried to do in the past which it can longer do and, rightly, should no longer do - forms of corporatism, picking winners, endless subsidies and so forth."

The role of public policy in the modern economy is rather "to help equip us as a country and as individuals to succeed in the global marketplace. It is not about trying to control or suppress the markets but recognising that there are certain things that if a government or a society do not do, they will either never be done or they will not be done to best effect." Investment in education and in the country's economic and social fabric, reform of welfare to replace benefits with work incentives, and, more surprisingly, a stronger competition policy all fall into this category.

His approach also implies a marked break with the past in his party's attitude towards inequality. As Mr Brown puts it: "For too long we have concentrated on policies which would compensate people for poverty or inequality. The attention has been on tax and benefits and the redistribution of income and wealth. I think the debate that matters is how you tackle the causes of inequality. And in a modern society, the root causes are unemployment and low educational opportunities and achievement."

As for taxation, the details of Labour's plans will not come until the general election campaign, but he insists the principles are clear: "The tax system has to be fair and based on the ability to pay. It must also encourage work incentives and employment creation, savings and long-term investment." If the party decides to propose a higher top rate of income tax (in itself uncertain), the decision would be an issue of revenue not principle.

Mr Brown's breadth of vision does not win him many friends among



The master of surprise

Shadow chancellor Gordon Brown aims to be radical as well as reassuring in economic policy, says Philip Stephens

colleagues. Politics is territorial. His name crops up repeatedly in reports of turf wars in the shadow cabinet. His relations with Mr Robin Cook, the shadow foreign secretary, and with Mr John Prescott, the deputy leader, are described delicately as "professional". "Hostile" would be the better adjective.

But if there was any question mark over his influence with Mr Blair, it was removed by last week's shadow cabinet reshuffle. On the day of the changes, the two men met for breakfast at Simpsons in the Strand. When the new line-up was announced Mr Brown's voice clearly had been heard.

Mr Chris Smith was moved from shadow social security secretary. Only last year, he had been charged to "think the unthinkable" about welfare reform. But he clashed with the shadow chancellor over child benefit. Mr Brown judged him too timid, unwilling to make the tough choices necessary to shift priorities within existing constraints on public spending. Mr Smith was moved to the health portfolio, to be replaced by the more pliant Ms Harriet Harman.

The relationship between leader and shadow chancellor is not without its awkwardness, the inevitable legacy of the succession to John Smith in 1994. Before then the two men had been the closest of personal as well as political allies. But Mr Brown, until then the senior partner, had to step aside. No relationship can survive such a trauma unchanged.

For many months, the shadow

chancellor's mood was one of dark isolation. Erstwhile allies who had backed Mr Blair for the leadership were treated as enemies. Until recently Mr Brown barely spoke to Mr Peter Mandelson, a close aide of Mr Blair's, outside formal meetings. He is still careful of his friends. As one puts it: "You are either with Gordon 100 per cent. Or you are against him."

At 45, Mr Brown sees no reason to eschew his future ambition for the leadership, but his relationship with Mr Blair has been rebuilt, albeit on different terms. After all, the chancellorship is not a bad prospect. Uniquely, his pronouncements escape the blue pencils of the leader's policy advisers. Even when his own instincts pull him in another direction, Mr Blair feels uneasy about rejecting Mr Brown's advice.

He has a pessimistic side, but he has not embraced the Calvinist tradition which came with an upbringing as the son of a Church of Scotland minister. Mr Brown prefers a more hopeful view of life to the Calvinist belief in providence and predestination. He is, he says, a Christian socialist with a hard edge.

Like many of his fellow Scots, he is also an instinctive European, convinced that among the young especially, dislike of the EU is much exaggerated. He sounds enthusiastic about a single currency - but, either way, economics rather than politics would be the decisive factor in the decision.

None of this makes Mr Brown popular with the remnants of the Labour left in the parliamentary party. He uses regularly to top the poll in shadow cabinet elections. Now that he puts his mind to what his party would do in government rather than say in opposition, he has fallen well down the rankings.

But what matters is the relationship with Mr Blair. He has the capacity to be Mr Lawson to Mrs Thatcher. But first Labour has to win. And then he must hope for a different ending.

The shadow chancellor has also loosened up, particularly over the past few months. There is little of the "blottness" which wins Mr Kenneth Clarke friends (though he is every bit as ardent a soccer fan as the chancellor). Nor will he apologise for the absolute commitment to politics which leads commentators to describe him as "driven". In Mr Brown's mind politics is as a means to an end. "I did not think there was a task to be accomplished. I would see no point in being in parliament. I have no great interest in politics as politics."

But the prickliness has gone. Tease him about the dislocation

OBSERVER

The daughter also rises

With the right surname you can go a long way in Italy. The accident of birth has already propelled young Benedetta, De Benedetti and Agnelli high up the corporate ladder. So it should come as no surprise that Fininvest has just elevated Marina Berlusconi, 39-year-old daughter of Silvio Berlusconi, to the chairmanship.

The Italian papers portray her as media-savvy and serious - the latter by comparison, presumably, with her younger brother Pier Silvio, who tends to get dubbed a playboy every time he goes out for a drink. She is also reckoned to have inherited Silvio Berlusconi's killer instinct as an entrepreneur - which ought to stand her in good stead if she eventually takes full control of the empire.

She already sits on the board of seven Fininvest subsidiaries, including Mediasset, the recently quoted television and advertising company, and will play an important role in the reorganisation of Fininvest as a holding company for large stakes in quoted groups. She may also find herself thrown into the front line as the acceptable face of the Berlusconi holding company, if judicial investigations into the group make any headway. In that case, Marina Berlusconi may have to develop a taste for publicity -

Azeri shoot-out?

It is 30 years today since England beat Germany 4-2 in the World Cup final - an anniversary that will long be remembered by the soccer fans of Azerbaijan.

Independence may have been long off for the troubled little country on the Caspian. But it was from there that linesman Tokik Bakhramov, whose controversial ruling put England ahead at a crucial moment in the 1968 final, hailed Bakhramov, who died in 1993, became the first of several successful Azeri referees, and the country's football stadium was named after him.

Azeri fans naturally insist that he was justified in his most famous ruling - that Geoff Hurst's shot against the crossbar really crossed the line, putting England 3-2 ahead. In his official autobiography, he describes the fury of the Germans: "Trust the Reds to support the Reds," one shouted at him. But earlier this year, the football authority FIFA was reported to be checking out an alternative version of the book, circulating in Moscow, which described the incident differently. It claimed that he ruled against the goal, but was misunderstood because of language problems. Not a point to press however, given that Azeris who through the Bakhramov stadium are

Snapple snaps

As if Quaker Oats's cup were not already brimming with bile over its unhappy experience with its Snapple fruit drinks and iced teas business, it has also made a powerful enemy on the airwaves.

Howard Stern, the four-mouthed talking "shock jock", and former promoter of the concoction, has taken to mocking the august corporation and urging his listeners to give up Snapple and buy a new drink, Mistic. Instead, Quaker chairman William Smithburg last week blasted he might off-load the line, bought for a much-criticised \$1.7bn in 1994, after second-quarter sales slumped a further 10 per cent.

Now the company has started giving away free samples outside the New York Stock Exchange and other select spots. But Stern was already up to mischief. The nationally-syndicated radio "talk show" host interrupted his usual scatological flow to blow a raspberry at the company, and wish it had luck with the brand he claimed he "made" with his endorsement. Quaker seems to be doing quite badly enough without Stern's help. The trouble, it seems, is that the formula is easy to imitate, and that today's guava-cantaloupe-kiwi brew is

Thin air

One of the fixtures in the firmament of the derivatives industry is the September meeting up a Swiss mountain called the Bürgenstock. This year's schedule contains the usual crop of speakers and esoteric spels. But there is one topic for which a speaker has yet to be found - an incriminating *who* is appended in the programme to the deceptively simple question: Is there a need for the single currency? Then again, get that answer wrong and fellow guests, who thrive on intricacy and volatility, might turn sour.

Financial Times

100 years ago

The Seal Fishery Vancouver, 29th July. A lawsuit of the greatest importance to sealers was decided here this morning. The Canadian schooner "Beatrice" was seized in August last by the American Revenue cutter "Rush" while the former was engaged in sealing operations in the Sea of Behring. A prize crew was put on board the schooner, which was taken to Victoria, where the courts decided that the capture was illegal, restoring the schooner and the 200 sealers on board to the owner. The skins were afterwards sold for \$10.25 each. The owner of the "Beatrice" then brought suit against Great Britain to recover the value of the catch. The decision of the court this morning was in favour of the owner.

50 years ago

Decree for Requisitioning Paris, 29th July. The Journal Officiel publishes to-day a decree providing for the requisitioning of foreign securities in conformity with the law passed in December last. An order of the Exchange Fund puts this decree immediately into operation in respect of British Two-and-a-half per cent consolidated stock and annuities which will be purchased by the Treasury on the basis of the last price on the London Stock Exchange.

مكتبة الأصل

Investors get chance to gamble on weather US insurance group links bonds to hurricane losses

By Richard Waters in New York

US investors may soon have an opportunity to gamble large sums on the weather...

pel if USAA has to cover more than \$10m in claims caused by a single hurricane in the next year...

the revolution that has transformed the capital markets in the past decade would spill over eventually into reinsurance...

insurance companies normally lay off large portions of the risk of natural catastrophes, such as hurricanes, on reinsurance companies...

Neither USAA nor Merrill Lynch would comment, citing US securities laws that prevent them from discussing new securities until they have been priced...

"We're very interested to see if these bonds get placed," said an analyst familiar with the USAA deal...

NEC faces dumping claim over computer sale to US

By Nancy Durne in Washington

Cray Research, the US computer company, yesterday filed an anti-dumping petition against NEC of Japan over the sale of supercomputers to the National Centre for Atmospheric Research.

Washington's attempts to prise open public procurement markets abroad. US efforts to "encourage" Japanese government agencies to buy US-made supercomputers have resulted in the sale of 12 US supercomputers to Japan...

Mr Robert Ewald, Cray's president and chief operating officer, yesterday accused NEC of offering to sell four Vector supercomputers for what should be the price of one.

"NEC's behaviour undermines open competition and could permanently distort pricing in the supercomputer market," he said.

The research centre agreed to pay \$53.15m over five years for the supply, installation and maintenance of four SX-4 supercomputer systems.

The Commerce Department and Congress have become embroiled in the supercomputer purchase. The department was accused of improperly intervening in the matter...

Indonesian markets slump in wake of political violence

By Greg Earl in Jakarta

Indonesia's financial markets fell sharply yesterday after the weekend political violence that left two dead and resulted in millions of dollars of damage in Jakarta's commercial district.

formed spin-off groups which were behind the weekend rioting. The stock exchange index closed down 3.7 per cent at 540 points...

selling by foreigners than expected, indicating that many had already reduced portfolios during the recent growing political uncertainty.

Although there was a light military presence in many parts of the city yesterday, soldiers moved into the central business district in apparent anticipation of further attacks...

"The political violence, the worst in 20 years in Jakarta, was the culmination of an uneasy stand-off between the government and the opposition Indonesia Democracy party."

Yesterday there were no significant protests and the city was quieter than usual with many people returning home early following the closure of some schools and rumours of a curfew in the main troubled area.

After meeting President Suharto, Mr Soesilo Soedarman, the co-ordinating minister for politics and security, said the government would crack down on a fringe, unauthorised political group called the Democratic People's Party (PRD)...

"The market is confused and doesn't know what to do next," a bank treasury manager said of the low volume currency trading.

Saxony defies Brussels with grant to VW

Continued from Page 1

launch an action in the court against the German state for ignoring Mr Van Mier's decision. If the court found in the Commission's favour, it could order repayment of illegal aid and

impose fines on both the state government and Volkswagen if the aid was not repaid.

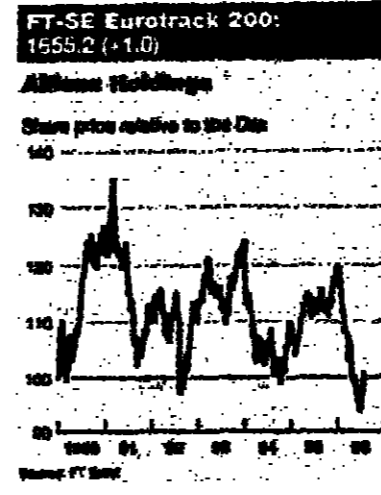
standing firm, saying it had already budgeted for the increased aid.

The Saxony government, led by Mr Kurt Biedenkopf, a respected politician in Chancellor Helmut Kohl's Christian Democratic Union party, was last night

Volkswagen yesterday said it had received the DM142m and been assured by Saxony that the remainder would be paid next year.

THE LEX COLUMN Allianz awakes

Does Germany have a new and profoundly influential convert to shareholder value? In themselves, the changes under way at Allianz are not momentous - but their consequences could be.



Over time, the result of such transparency can only be a sharper focus on returns. Combine this with the appointment of British Petroleum's Sir David Simon to Allianz's supervisory board...

shares could even be floated on the exchange itself.

The London Stock Exchange should wake up and take note. Just as much as the ASX, London is competing with rival exchanges elsewhere.

factory return on its investment. The signing should also boost merchandise sales as fans strap up replicas of Mr Shearer's number 9 shirt.

Whether it will boost prices in the transfer market is more doubtful since nobody else has his scoring record. Even so, the rising cost of players is clearly a worry at a time when more football clubs are trying to turn themselves into proper businesses...

Stock exchanges

Sceptics often dismiss floating stock exchanges as commercial ventures as hopelessly impractical - an academic notion irrelevant to the real world.

Football

Newcastle United's decision to bring home striker Alan Shearer for £15m (£23.4m) is a huge gamble. Add in Mr Shearer's rumoured salary of £1.5m for each of the next five years...

UK brewing

Not only does Bass's likely £20m purchase of Allied Domecq's stake in Carlsberg-Tetley look an astute move but it should manage to gain UK government approval.

Allied will be glad to see the back of a brewing business which is using money after stripping out £60m of profits from inflated supply contracts to Allied pubs.

Lease Plan. A unique open approach to vehicle leasing. Includes a large image of a car and contact information: 0345 65 60 65.

FT WEATHER GUIDE. Europe today. High pressure will promote sunny periods over the British Isles but a frontal system will bring cloud and rain or drizzle from the north-west during the day. Includes a weather map and temperature table.

July 30 1996